BUDGETARY TREATMENT OF SOCIAL SECURITY ADMINISTRATIVE EXPENSES

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

FEBRUARY 21, 1991

Serial 102-3

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE
41-742⇐ WASHINGTON : 1991

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

H781-30

COMMITTEE ON WAYS AND MEANS

DAN ROSTENKOWSKI, Illinois, *Chairman*

SAM M. GIBBONS, Florida
J.J. PICKLE, Texas
CHARLES B. RANGEL, New York
FORTNEY PETE STARK, California
ANDY JACOBS, Jr., Indiana
HAROLD E. FORD, Tennessee
ED JENKINS, Georgia
THOMAS J. DOWNEY, New York
FRANK J. GUARINI, New Jersey
MARTY RUSSO, Illinois
DON J. PEASE, Ohio
ROBERT T. MATSUI, California
BERYL ANTHONY, Jr., Arkansas
BYRON L. DORGAN, North Dakota
BARBARA B. KENNELLY, Connecticut
BRIAN J. DONNELLY, Massachusetts
WILLIAM J. COYNE, Pennsylvania
MICHAEL A. ANDREWS, Texas
SANDER M. LEVIN, Michigan
JIM MOODY, Wisconsin
BENJAMIN L. CARDIN, Maryland
JIM McDERMOTT, Washington

BILL ARCHER, Texas
GUY VANDER JAGT, Michigan
PHILIP M. CRANE, Illinois
DICK SCHULZE, Pennsylvania
BILL GRADISON, Ohio
BILL THOMAS, California
RAYMOND J. McGRATH, New York
ROD CHANDLER, Washington
E. CLAY SHAW, Jr., Florida
DON SUNDQUIST, Tennessee
NANCY L. JOHNSON, Connecticut
JIM BUNNING, Kentucky
FRED GRANDY, Iowa

Robert J. Leonard, *Chief Counsel and Staff Director*
Phillip D. Moseley, *Minority Chief of Staff*

Subcommittee on Social Security

ANDY JACOBS, Jr., Indiana, *Chairman*

SAM M. GIBBONS, Florida
BENJAMIN L. CARDIN, Maryland
JIM McDERMOTT, Washington
J.J. PICKLE, Texas

JIM BUNNING, Kentucky
PHILIP M. CRANE, Illinois
DICK SCHULZE, Pennsylvania

CONTENTS

Page

Press release of Thursday, February 7, 1991, announcing the hearing ... 2

WITNESSES

U.S. Department of Health and Human Services, Social Security Administration, Hon. Gwendolyn S. King, Commissioner ... 12

American Association of Retired Persons, Dennis L. Crites ... 56
American Federation of Government Employees, AFL-CIO, John Gage ... 70
Hughes, Hon. William J., a Representative in Congress from the State of New Jersey, Chairman, Subcommittee on Retirement Income and Employment, Select Committee on Aging ... 5
National Association of Disability Examiners, Carroll D. Moore representing Tom Christopher ... 76
National Committee to Preserve Social Security and Medicare, Martha McSteen ... 80
National Council of Disability Determinations Directors, Stan Kress and Charles A. Jones ... 37
National Council of Social Security Management Associations, Inc., Peter Toland ... 49
National Senior Citizens Law Center, Eileen P. Sweeney ... 63
Save Our Security Coalition, Hon. Arthur S. Flemming, Former Secretary of the Department of Health, Education, and Welfare ... 44

SUBMISSIONS FOR THE RECORD

Aging, Special Committee on, Hon. David Pryor, Chairman, and a U.S. Senator from the State of Arkansas, statement ... 85
Dorgan, Hon. Byron L., a Representative in Congress from the State of North Dakota, statement ... 87
National Grange, Robert E. Barrow, statement ... 89

BUDGETARY TREATMENT OF SOCIAL SECURITY ADMINISTRATIVE EXPENSES

THURSDAY, FEBRUARY 21, 1991

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room B-318, Rayburn House Office Building, Hon. Andy Jacobs, Jr. (chairman of the subcommittee) presiding.

[The press release announcing the hearing follows:]

FOR IMMEDIATE RELEASE
THURSDAY, FEBRUARY 7, 1991

PRESS RELEASE #1
SUBCOMMITTEE ON SOCIAL SECURITY
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-1721

ANDY JACOBS, JR. (D., IND.), CHAIRMAN, SUBCOMMITTEE ON SOCIAL SECURITY, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES A HEARING ON THE BUDGETARY TREATMENT OF SOCIAL SECURITY ADMINISTRATIVE EXPENSES

Andy Jacobs, Jr. (D., Ind.), Chairman of the Subcommittee on Social Security, Committee on Ways and Means, U.S. House of Representatives, announced today that the Subcommittee will hold a hearing on the budgetary treatment of social security administrative expenses. The Subcommittee will consider whether the trust fund-financed administrative expenses of the Social Security Administration (SSA) should be subject to, or excluded from, the new budgetary cap on domestic discretionary spending. The hearing will be held on Thursday, February 21, 1991, in room B-318, Rayburn House Office Building, beginning at 10:00 a.m.

BACKGROUND

As a result of financing reforms enacted in the Social Security Amendments of 1983 (P.L. 98-21), the social security trust funds are accumulating large annual surpluses. Invested in government securities, these reserves will be used to provide benefits for the baby-boom generation when it retires after the turn of the century. Until last year, annual social security surpluses were included in calculations of the Federal deficit under the Gramm-Rudman deficit reduction law (also known as the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177). As a result, social security reserves masked the true extent of the deficit in the Treasury's general fund.

Last year, Congress responded to growing public concern about the budgetary treatment of the social security trust funds by excluding social security from the Gramm-Rudman deficit calculations. Specifically, the Omnibus Budget Reconciliation Act of 1990, P.L. 101-508 (OBRA 1991), provided that:

> Notwithstanding any other provision of law, the receipts and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund shall not be counted as new budget authority, outlays, receipts, or deficit or surplus for purposes of -- (1) the budget of the U.S. Government as submitted by the President, (2) the Congressional budget, or (3) the Balanced Budget and Emergency Deficit Control Act of 1985.

At the same time, in conflict with this provision, the Statement of Managers accompanying the conference report on OBRA 1990 listed social security administrative expenses as among those items subject to a new budgetary cap on domestic discretionary spending.

The ambiguity in the new law has important implications for SSA at this time. Under a downsizing program initiated by the Reagan Administration, SSA has reduced its staff by 20 percent over the past six years. At the same time, the agency has experienced a sharp increase in payment errors, high telephone busy rates, and a growing backlog of unprocessed benefit claims. These trends lead some observers to question whether the agency can stabilize its operations and re-establish its high standards of service to the public under the pressure of this spending cap.

(MORE)

SCOPE OF THE HEARING

The hearing will focus on whether SSA's trust fund-financed administrative expenses should be subject to, or excluded from, the domestic discretionary spending cap. In addressing this question, witnesses are invited to present testimony on the following issues:

* Congress excluded social security benefits from the new Gramm-Rudman spending caps in order to protect beneficiaries from short-term budgetary pressures. Does the budgetary treatment of administrative expenses impinge on this objective? If so, how?

* What additional resources will be required to restore SSA's traditional levels of service to the public? Can this objective be achieved within the constraint of the spending cap?

* To exclude social security administrative expenses from the cap would be to treat them differently from the administrative expenses for other Federal programs. What problems, if any, are associated with this discrepancy?

DETAILS FOR THE SUBMISSION OF REQUESTS TO BE HEARD:

Requests to be heard at the hearing must be made by telephone to Harriett Lawler or Diane Kirkland [(202) 225-1721] by close of business Thursday, February 14, 1991. In order to facilitate scheduling, requests should indicate the specific issues that the witness wishes to address. The telephone request should be followed by a formal written request addressed to Robert J. Leonard, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The Subcommittee will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions regarding a scheduled appearance should be directed to the Subcommittee staff at [(202) 225-9263].

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. THE FIVE-MINUTE RULE WILL BE STRICTLY ENFORCED. Subcommittee Chairman Jacobs advises witnesses that they will be allowed no more than two "finally's" and one "in conclusion." The Congressional Budget Office and similar U.S. Government agencies may be granted an exception. The full written statement of each witness will be included in the printed record.

In order to assure the most productive use of the limited amount of time available to question witnesses, those scheduled to appear before the Subcommittee are required to submit 100 copies of their statements to the Subcommittee on Social Security office, room B-316 Rayburn House Office Building, at least 24 hours in advance of their scheduled appearances. Failure to do so may result in the witness being denied the opportunity to testify in person.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Persons submitting written statements for the printed record of the hearing should submit six (6) copies by the close of business Thursday, March 7, 1991, to Robert J. Leonard, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing a written statement for the record of the printed hearing wish to have their statements distributed to the press and the interested public at the hearing, they may provide additional copies for this purpose to the Subcommittee, room B-316 Rayburn House Office Building, on the day of the hearing.

(MORE)

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.

4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

* * * *
* * *

Chairman JACOBS. We will begin our hearing with a statement from the cochairman of the subcommittee, Mr. Bunning of Kentucky, which has the high privilege of being adjacent to Indiana—if you can swim.

Mr. BUNNING. Across the big Ohio.

Thank you, Mr. Chairman. I would like to thank you for holding this hearing today. The fact that there is a question of whether or not the administrative expenses of the Social Security Administration should be subject to the new budgetary cap on domestic discretionary spending is something that needs to be examined. This hearing is clearly a step in the right direction to set the record straight.

While the trust funds are in good health and the appropriations process keeps administrative costs, to a certain extent, in check, the problem is that less than 60 percent of administrative funds comes from the Old Age, Survivors and Disability Insurance trust funds. That means that, if administrative costs are exempt, other programs will have to absorb the cuts. The result could be the loss of savings and injury to other services, and it would certainly put us under pressure to exempt other "deserving" programs.

This hearing will hopefully provide us with some possible answers to this dilemma. While I am sure that many witnesses will advocate a "full-service" approach, we must keep in mind that the Ways and Means Committee has jurisdiction over other programs that are also subject to the cap, like child support enforcement and unemployment compensation. I expect States won't take too kindly to cuts in their administrative funds such as unemployment compensation when we, as an example, won't restrain our own administrative spending.

However, I realize that all this means little to the beneficiary who sees that the amount of his check or her check is guaranteed but not its timely delivery because of a lack of manpower. We must recognize that concern as well.

I want to thank today's witnesses for participating in this hearing, and I look forward to your testimony. I trust you will be able to provide us with some possible answers to this potential problem.

Thank you, Mr. Chairman.

Chairman JACOBS. Thank you, Mr. Bunning.

Chairman JACOBS. Our first witness is Bill Hughes from New Jersey. Mr. Chairman, welcome to our humble precincts.

STATEMENT OF HON. WILLIAM J. HUGHES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY, CHAIRMAN, SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT, SELECT COMMITTEE ON AGING

Mr. HUGHES. Thank you, Mr. Chairman. Good morning to you and members of this distinguished subcommittee. I have a full statement, Mr. Chairman, which I would like to submit for the record, and I will try to be brief—if you can see it in your heart.

Chairman JACOBS. Could you just give us a minute? Mr. Pickle, is it OK with you if Mr. Hughes submits a statement for the record. Think about it.

Mr. PICKLE. I have no statement, Mr. Chairman.

Chairman JACOBS. No, no. I mean Mr. Hughes. Is it all right with you if he submits his full statement, or would you rather that he read it to us?

Mr. HUGHES. Please, Jake. [Laughter.]

Mr. PICKLE. I am anxious to hear what Mr. Hughes has to say by way of summary.

Chairman JACOBS. Without objection, or at least with considerable hesitation, so ordered.

Mr. HUGHES. I really appreciate that, Mr. Chairman. I want to commend you and members of the committee for holding these important hearings. No one has worked more diligently than the gentleman from Indiana to improve the benefit integrity of Social Security for both beneficiaries and taxpayers.

Two weeks ago, I was joined by some two dozen members of the Select Committee on Aging in sending a letter to the Budget Committee outlining our belief that when we passed the Budget Enforcement Act of 1990, we were protecting the integrity of all the Social Security receipts and outlays, including administrative expenses. We agree with the Congressional Budget Office that the statutory language is very clear in that regard.

Yet I believe OMBs position to subject Social Security administrative expenses to the domestic spending caps does more than simply contradict congressional intent. It seems to me to be basically dishonest to tell the American people that their payroll taxes are being used to administer the trust funds, when, in fact, decisions on these administrative resources will be largely based on the status of funding for other programs.

Furthermore, as you know, Mr. Chairman, it is not possible to separate the administrative functions of the trust funds from the solvency and operation of the trust funds themselves. When casework is delayed, when benefit overpayments or underpayments occur with greater frequency, when States are unable to process continuing disability reviews, and when workers are credited with incorrect work histories, trust fund receipts and outlays are, indeed, adversely affected.

Substantial testimony and evidence provided to the Congress leaves me with little doubt that we have passed the point of diminishing returns in terms of saving money on administrative expenses. I firmly believe that if Social Security's administrative costs are subjected to the domestic spending caps as OMB proposes, SSA will be increasingly unable to process its growing caseload.

Any minor savings we might gain from spending less on administrative expenses—assuming that these reductions could be accomplished without causing more mistakes and greater costs to the trust funds—and I don't believe that they can—would only result in a relatively minor increase in the receipts credited to the trust funds. Since these receipts are clearly not to be used in determining the deficit targets, we will have done nothing to address the root causes of the deficit. Yet we will quite likely further jeopardize the operation and management of the funds.

Even a slight increase in the incidence of mistakes through benefit overpayments and underpayments will produce long-term costs to the taxpayers and beneficiaries which far overshadow any short-term savings. For example, one recent review of over 2,000 disability cases found that nearly 70 percent contained one or more deficiencies. And a General Accounting Office study estimates that for every 10,000 disability cases not reviewed, the trust fund loses more than $9 million per year.

In dollar terms, mistakes and delays in processing casework are beginning to add up to the hundreds of millions. In simple human terms, I think we are already paying a heavy price from a staff downsizing process that really went too far.

The rationale for removing the Social Security trust funds from the deficit targets is that Social Security is a self-financed system which is running a surplus. It is in no way part of the general operating budget deficit problem.

I believe we have already taken the Social Security administrative costs out of the domestic spending targets. But if we need to clarify this point further, let's do it. Let's ensure that the Commissioner and the hard-working staff throughout the Social Security system have the resources to serve the public in a humane, effective, and timely manner.

I sincerely hope that 5 years from now the public doesn't look back and consider the declining services provided during the downsizing process of the 1980s to be the "good old days." Yet I am afraid this could happen if OMB is successful in placing this administrative straitjacket on Social Security in the 1990s.

Mr. Chairman, I stand ready to assist you and members of the Ways and Means Committee in maintaining the integrity of the Social Security trust funds. I greatly appreciate the opportunity to appear before the subcommittee today, and in my full text, Mr. Chairman, I have reiterated many of the horror stories that I have personally come in contact with as a result of the staff downsizing.

The disability workload that exists in New Jersey was about 23,000 cases back in September. It is more than that today. Given the kind of mistakes that are being made every day, my office—and I am sure your offices—hear the horror stories, downsizing is not saving any money. It is costing us money.

Thank you.

[The prepared statement follows:]

STATEMENT OF

THE HONORABLE WILLIAM J. HUGHES, CHAIRMAN
SUBCOMMITTEE ON RETIREMENT INCOME & EMPLOYMENT
HOUSE SELECT COMMITTEE ON AGING

BEFORE THE SUBCOMMITTEE ON SOCIAL SECURITY
COMMITTEE ON WAYS AND MEANS

HEARING ON EXCLUDING SOCIAL SECURITY ADMINISTRATIVE COSTS FROM THE DOMESTIC SPENDING CAPS

THURSDAY, FEBRUARY 21, 1991, 10:00 A.M.
B-318 RAYBURN HOUSE OFFICE BUILDING

Mr. Chairman, I would first like to commend you for the many important hearings you have convened over the past few years. No one has worked harder than the gentleman from Indiana to improve the benefit integrity of Social Security for both beneficiaries and taxpayers. I greatly appreciate your continued leadership.

In my opinion, today's subject is one of the most important topics you have considered. At stake in this debate is whether Social Security will be a self-financed system as contained in the Budget Enforcement Act of 1990, and whether the Social Security Administration (SSA) will have sufficient resources to cost-effectively carry out its mandate over at least the next five years. The outcome of this debate could ultimately affect millions of workers and Social Security beneficiaries.

As you know, Mr. Chairman, provisions in the Budget Enforcement Act of 1990 include language to remove all receipts and disbursements of the Social Security trust funds from federal deficit estimates and domestic spending targets. This action was based on concerns expressed by most Americans that revenues from payroll taxes should not be used to mask the extent of the Government's general operating budget deficit.

Administrative expenses for Social Security, which presently amount to less than one percent of program costs, are collected through payroll taxes and are part of the outlays which are charged to the trust funds. The Congressional Budget Office (CBO) has therefore correctly concluded in my judgement that the Budget Enforcement Act of 1990 mandates that these administrative costs be excluded from the budgetary cap on domestic discretionary spending. However, the Office of Management and Budget (OMB) is taking the position that one part of the report language, which conflicts with other report language, overrides the statutory language contained in the Act.

Two weeks ago I was joined by some two dozen Members of the Select Committee on Aging in sending a letter to the Budget Committee outlining our support for the CBO position. When we passed OBRA 1990, we thought we were protecting the integrity of all the Social Security receipts and outlays from being used to fund other government operations.

Yet, I believe OMB's position does more than simply contradict Congressional intent as contained in OBRA 1990. I believe it is basically dishonest to lead the American people to believe that their payroll taxes are being used to administer the Social Security trust funds when in fact decisions on these administrative resources will largely be based on considerations other than the cost-effective operation of the trust funds.

In addition, testimony provided to my Subcommittee on Retirement Income and Employment leaves me with little doubt that if Social Security's administrative expenses are subjected to the domestic spending caps as OMB proposes, SSA will be increasingly unable to process its growing caseload. It is very troubling to contemplate that these administrative constraints could mean that five years from now we may consider the declining service provided during the 1980's downsizing process as the "good old days."

I would like to briefly address three major issues in my statement today: 1) why I agree with the CBO position that Social Security Administrative costs are not included under the domestic discretionary spending cap; 2) the status of the Social Security service delivery system; and 3) the implications of OMB's proposal for both workers and beneficiaries.

1) Why Social Security's Administrative Costs are Exempt From the Domestic Spending Cap.

The language contained in Section 13301(a) of the Budget Enforcement Act of 1990 is very clear and unambiguous. It excludes the trust funds from "all budgets," and states that the trust fund "receipts and disbursements ... shall not be counted."

I believe that OMB is incorrect that the statement of managers which accompanies the conference report overrides this legislative language. While there is admittedly some ambiguity in report language which includes references to the Social Security trust funds as two items to be included in the definition of "category," the statement of managers also clearly underscores the intent of the language contained in Section 13301 (a):

> The conference agreement incorporates the Senate position on the budgetary treatment of the Social Security trust funds, reaffirming their off-budget status and **removing all their transactions from the deficit estimates and calculations made in the sequestration process.**

Furthermore, as you know Mr. Chairman, it is not possible to separate the administrative functions of the trust funds from the solvency and operation of the trust funds themselves. When casework is delayed, when benefit overpayments or underpayments occur with greater frequency, when states are unable to process continuing disability reviews, and when workers are credited with incorrect work histories, trust fund receipts and outlays are adversely affected.

Testimony before the Select Committee on Aging reveals that the majority of Americans want the Social Security trust funds to be listed separately from the rest of government spending. Workers pay separate payroll taxes with the belief that they will be used to fund and operate the Social Security system. The provisions as passed in OBRA 1990 clearly reflect this position.

Any minor savings gained from spending less on administrative expenses, assuming that these reductions would not result in more mistakes and greater costs to the trust funds, would only result in a correspondingly small increase in the receipts credited to the trust funds. Since these receipts are clearly not to be used in determining the deficit targets, we will have done nothing to address the root causes of the domestic program operating deficit. Yet, we will quite likely further jeopardize the operation and management of the trust funds.

2) Status of the Social Security Service Delivery System.

Placing artificial budgetary constraints on the administration of Social Security services could not come at a more difficult time. The last six or seven years have been marked by a number of significant changes at the Social Security Administration. Staffing has been cut by more than a fourth in many Social Security offices, and by more than 17,000 full-time equivalent employees overall. A new national toll-free telephone number has been implemented. SSA is undertaking an ongoing computer modernization process. There have been a number of court-mandated changes to the Social Security disability process. The combination of these factors has created a severe strain on the system, increased casework backlog delays, and resulted in normally first rate Social Security services declining noticeably.

Testimony before my Retirement Income Subcommittee reveals that at every level of the service delivery system, SSA is experiencing an increasingly serious problem trying to provide appropriate, timely, and accurate service.

At the constituent level, Social Security beneficiaries and Social Security personnel are generally feeling increasingly frustrated that timely and appropriate service is slipping away a little more with each passing year. This trend is particularly troubling because many persons contact Social Security at a very stressful time in their lives, only to be faced with telephone busy signals, delays in getting benefits, and frustrating experiences trying to get their cases resolved.

For instance, one of my constituents was erroneously listed as deceased among SSA's files. He had a difficult time getting this error corrected so he went back to work. Eventually Social Security was able to correct the error and pay him his overdue benefits. In the meantime, however, my constituent earned above the earnings limit because he had had no income and needed to return to work. This triggered Social Security to take back part of his benefits even though he lost these benefits through no fault of his own. It took months of his time, my staff's time, and Social Security staff time just to get a summary statement of the benefits he lost and why. Yet nothing can really be done to correct the effects of the original mistake that was made.

The husband of another of my constituents died in March, only to have Social Security reach into her bank account and reclaim her husband's February Social Security benefits. This constituent testified that she was "totally frustrated" in trying to get the situation corrected because every time she contacted Social Security she wold have to retell her story. She said it was particularly stressful having to retell circumstances about her husband's death.

Another constituent wrote to me that, "Time and space do not allow for a detailed log of my experiences while waiting for the claim to be investigated. I suffered such emotional distress and physical pain -- tears and anxiety..."

I do not want to give the impression that these problems are the norm at Social Security or that they happen on a frequent basis. However, my concern with the seriousness of these complaints led me to survey employees in New Jersey Social Security offices last year. The results are very alarming. Nine out of ten respondents either disagreed or strongly disagreed that there are enough staff in the office to carry out Social Security's mission; three out of four said waiting times in the offices had gotten worse; four out of five said post-entitlement caseloads are not processed in a timely manner; and nine out of ten thought the teleservice was not doing a good job screening persons who could be taken care of without an office visit.

Findings from a 1990 survey of Social Security managers yielded similar distressing results: two of three managers reported that they are unable to conduct an effective quality review program in their office; two out of five use "short cuts" or other methods which do not follow operational instructions to get work cleared; four out of five reported they are losing ground processing post-entitlement and nonclaims backlogs.

At the heart of these difficulties appears to be that resources and Social Security staffing positions have been cut so severely over the past few years that the remaining staff are stretched beyond their ability to adequately perform their mandate in a timely manner. Several witnesses have testified that because many field office personnel now have to help cover multiple duties, there have been delays in the processing of Social Security casework, increased pressures to cut corners on efficient and appropriate services to the public, and limits placed on the time staff can spend conducting outreach activities to the poor, the disabled, the blind, the homeless, the homebound, and Supplemental Security Income (SSI) recipients.

This situation is particularly distressing for SSI recipients because SSI is designed to be the "safety net" program for our poorest elderly, blind or disabled citizens. When mistakes are made with this program the results can be disastrous for these vulnerable persons. All are struggling to get by on incomes which are below the poverty level.

As you are aware, Mr. Chairman, and as most of our colleagues know through increased complaints from their constituents, we are experiencing a number of serious problems with the toll-free national telephone service. Some beneficiaries have complained that it takes them days to try to get through on SSA's 1-800 teleservice system. Others have given up and tried to contact their local Social Security office, only to find out that they have trouble getting an appointment.

Now, more than a year after its installation, busy rates on the 1-800 telephone service can exceed 50% on peak calling days. I believe it is unacceptable to continue to permit SSA's national telephone system to become bottled up or virtually shut down for a few days each month after the Social Security checks are released. When people contact Social Security it is often at a very stressful time in their lives. In some cases, a claimant's spouse has just died. In other instances, someone may need disability assistance. Others are seeking benefits which will help them meet basic living expenses. Social Security recipients have a right to expect that when they call for questions or assistance, they will not be faced with inordinate delays, busy signals, and staff who are too rushed to provide complete and accurate answers to their questions.

I am also greatly concerned by data provided to the Subcommittee concerning the disability system. Appeals can take many months or years to get resolved and, more often than not, result in a reversal of the original decision to deny benefits. Consequently, far too often persons who are disabled to the point where they cannot work are forced to live with little or no incomes while their cases slowly wind their way through the appeals process. For these individuals, many of whom are over the age of 60, the hardships can be devastating. Many will die before a decision is made.

Testimony before my Subcommittee last fall reveals that in New Jersey, for example, over 5,000 disability cases will remain unreviewed for the foreseeable future. In all, New Jersey had over 23,000 disability cases pending last September. It is my understanding that as the economy turned down, this caseload has only increased.

3) Implications of OMB's Proposal to Include Social Security's Administrative Expenses in the Domestic Spending Caps.

One overriding characteristic that has been very promising to me as I have examined this issue is that we are very fortunate to have Social Security personnel - from the Commissioner to the field office managers to the claims reps to the disability examiners - who are extremely dedicated and genuinely concerned about the people they serve.

Yet, I have been unable to find very many individuals outside of OMB who honestly believe that the remaining Social Security staff can effectively process the demands of a growing older population without an increased incidence of benefit overpayments and underpayments. Even a slight increase in the incidence of these mistakes will produce long-term costs to the taxpayers and beneficiaries which far overshadow any short-term savings we might receive from cutting personnel.

Given the great strains on the Social Security service delivery system, as well as the evidence gathered by a number of Committees here in the Congress, I am convinced that we have passed the point of diminishing returns in which we are saving money by cutting back on resources and personnel.

In simple human terms I think we are already paying a heavy price from a staff downsizing process that went too far. Yet, if OMB has its way on this issue, it will matter little if we have cut Social Security staff too far. For the most part, decisions on administrative expenses will be linked to considerations which are outside the operation of the trust funds.

The rationale for removing the Social Security trust funds from the deficit estimates and targets is that Social Security is a self-financed system which is running a surplus. It in no way is part of the general operating budget deficit problem. Let's give the Commissioner and the staff at Social Security the opportunity to do their jobs and carry out their mandate to effectively manage, operate, and administer the Social Security program.

Mr. Chairman, I stand ready to assist you and other Members of the Ways and Means Committee in maintaining the integrity of the Social Security trust funds. I greatly appreciate the opportunity to appear before your Subcommittee today.

Chairman JACOBS. Thank you for an excellent statement, Mr. Hughes.

Mr. Bunning.

Mr. BUNNING. No questions.

Chairman JACOBS. Mr. Pickle, you get to ask questions.

Mr. PICKLE. Mr. Chairman, ~~I have~~ no questions. I think you get to the root analysis. Whether it is out from under the cap is one question. The basic question is are we rendering the right services through the system, and I think we have to balance both of those approaches. But I think your analysis is a good one, and we thank you.

Mr. HUGHES. Thank you.

Chairman JACOBS. Mr. McDermott.

Mr. MCDERMOTT. No questions.

Chairman JACOBS. You got off pretty easy. Let's see how Gwen does now.

Our next witness is, in fact, the Commissioner of the Social Security Administration of the United States, the Hon. Gwendolyn King. As usual, welcome.

STATEMENT OF HON. GWENDOLYN S. KING, COMMISSIONER, SOCIAL SECURITY ADMINISTRATION, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Ms. KING. Thank you, Mr. Chairman, members of the subcommittee.

Mr. Chairman, I almost hesitate to make the next request, but, indeed, I too have a longer statement I would like to submit for the record. If you would indulge me, I would like to——

Chairman JACOBS. You can certify the spelling and grammar, I suppose. It won't damage the record. Without objection, it will be.

Ms. KING. Something told me not to ask that question.

I am pleased to join you today to discuss the Social Security Administration's limitation on administrative expenses budget, which I will refer to as the LAE account, and its relationship to the domestic discretionary spending cap.

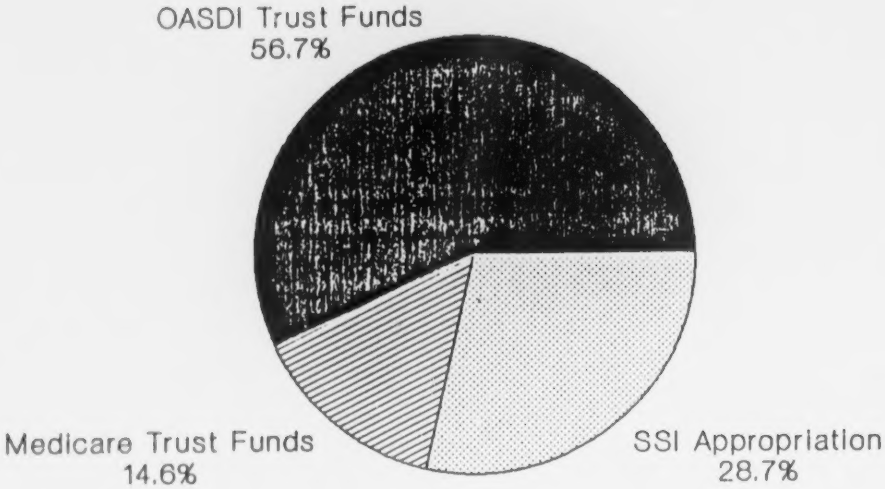
In preparing my testimony about this matter of budgetary principle, should SSA's LAE account be under the discretionary cap or exempt from it, I am reminded of the rule of thumb in this town that when an agency head tells you that it is not the money, it is the principle of the thing, well, you know we are really talking about the money.

This morning, Mr. Chairman, I want to at least start by discussing what I believe is the key principle involved in this debate, one that could be easily overlooked, but is so integral to our mission at Social Security; that is, the need to maintain the equity of service we provide to the people who call, write, or visit the Social Security Administration. It is easy to make the mistaken assumption that the entirety of SSA's LAE account comes from the off-budget Social Security trust funds. In fact, in 1990, only 57 percent of our operating budget was derived from those trust funds.

I asked that a chart be placed here, Mr. Chairman, so that we can actually take a look at it. The remaining 43 percent was chargeable to the Medicare trust fund and to the on-budget general revenues that support the Supplemental Security Income program. Only 57 percent of our LAE account in fiscal year 1990 came from the Social Security trust funds, the OASDI trust funds.

[The chart follows:]

LAE Funding Sources
FY 1990 Actual Experience



Ms. KING. This mix of funds supports a system that offers the same level of service to each individual who comes to us, regardless of their interest, whether it is Social Security-related, Medicare-related, or SSI-related. My concern is that in the course of this debate we keep in mind that SSA's functions are not exclusively funded by off-budget Social Security trust funds, and that whatever is ultimately decided, each of the individuals who comes to us continues to receive an equal level of service. That is a vital principle that must be upheld, and in order to uphold it, it must be understood that there is not an exclusive link between our operating functions and the off-budget trust funds.

The objective of excluding Social Security benefits from the discretionary cap was to protect beneficiaries from benefit reductions. That has been achieved. Benefits are insulated from short-term budgetary pressures. That is not at issue here. What is at issue—and here I make that inevitable transition from matters of principle to matters of money—is the Social Security Administration's ability to provide timely, accurate, quality service to all claimants and beneficiaries. What is at issue is how and if placement under the budget cap affects the quality of SSA's public service.

To answer those questions, it is necessary to place them against the backdrop of our 1991 and 1992 budget situation. Today we are operating at an annual level over $100 million below the President's 1991 budget request. Because of congressional action to reduce funds available for obligation by $106 million from the President's request, and because of $28 million in unanticipated costs stemming from a variety of provisions in the Omnibus Budget Reconciliation Act of 1990, SSA's administrative budget is, to say the least, stretched tightly.

We have tried to deal with the shortfall with the public's best interest in mind. The full planned increase in funds for State disability determination services was maintained, and by directing managers to take steps such as delaying nonsafety-related building repairs and canceling planned equipment replacement and meetings and so forth, we have been able to minimize the impact on our public service functions. But with over $100 million fewer, we simply cannot provide the kind of responsive service across all our activities that we would like to. That, Mr. Chairman, is an unfortunate fact that would not have been affected by the presence of a discretionary cap, or the lack thereof, in that it is a result of the appropriations process.

I make this assertion, Mr. Chairman, because for years prior to fiscal year 1990, before any spending caps existed, Congress also provided less funding for administrative account obligations than had been requested. For fiscal year 1992, the administration has requested a 9 percent increase in SSA's LAE account. That compares favorably with the overall 6 percent increase in the domestic discretionary cap. But in looking at the fiscal year that lies ahead, at the increased number of beneficiaries and claimants we will be serving, and at the increasing service demands generated from our own successes in SSI outreach and telephone service, I have very strong thoughts about how SSA's fiscal needs can best be served. And, Mr. Chairman, to my mind, SSA's greatest immediate need has nothing to do with the discretionary spending cap.

My sole concern is in seeing Congress, in the fiscal year 1992 appropriations process, grant the full amount we have requested. As I noted earlier, it is not so much the principle here as it is the money that matters.

Mr. Chairman, I have taken great pleasure in the candid and open and productive relationship I have had with this subcommittee. When I became Commissioner, I told you that I would bring an end to the agency's downsizing. With Secretary Sullivan's help, that downsizing has ended. I told you that I would come and let you know when the agency needed more operating money, and to that end, you know of our increased fiscal year 1992 appropriations request. And I want to alert you and your colleagues on the subcommittee that this afternoon I will be testifying before Chairman Natcher to try to convince that subcommittee on appropriations about our need for a $232 million supplemental appropriation in order to reprocess the disability cases related to the *Zebley* decision, the childhood disability decision. And as I have told you in all candor, my hope is that future increases in SSA's workloads are accompanied by funding increases.

So finally, and in conclusion, Mr. Chairman, it is this kind of communication and working together, I think, that can create a positive fiscal atmosphere for SSA, and with it an optimum level of service to those who come to us for assistance. I will be happy to answer any questions.

[The prepared statement follows:]

Statement of Gwendolyn S. King, Commissioner of Social Security on Social Security Administrative Budget

Mr. Chairman and Members of the Subcommittee, I am pleased to be here today to discuss the Social Security Administration's (SSA) administrative expenses and their relationship to the domestic discretionary spending cap. My intent is to review the funding sources for SSA's Limitation on Administrative Expenses (LAE) account, provide a brief status of our budget situation in fiscal years (FY) 1991 and 1992 and respond to the committee's specific concerns.

LAE Funding Sources

The Omnibus Budget Reconciliation Act of 1990 provides that the Social Security trust funds are off budget and not subject to sequester. At the same time, the act includes the LAE account under the domestic discretionary cap. The administration has concluded that, because there is an express designation of our LAE account in the domestic discretionary list of accounts and because the act specifically excludes only Social Security benefits--as distinct from administrative expenses--from sequestration, the LAE account is in this category for budget enforcement purposes.

The administration's position is that Social Security administrative expenses should be treated like all other domestic discretionary programs. This includes classifying the program as within the domestic discretionary category, and as subject to all the general enforcement provisions provided in the new budget act.

SSA's LAE account is funded from four Social Security trust funds---old-age and survivors insurance (OASI), disability insurance, hospital insurance and supplementary medical insurance, as well as from the supplemental security income (SSI) appropriation (which is a general fund appropriation that reimburses the OASI trust fund for all SSI-related administrative costs). Because SSA's trust fund and SSI service delivery mechanisms are so integrated, the Congress authorized this mix of funding sources in the LAE account. This mechanism supports a service delivery system in which the same individuals would, on a given day, be able to do business with SSA, involving any combination of Social Security, Medicare and the SSI program. For all these programs, individuals receive the same level of service. We believe that all SSA clients should continue to be served equally.

Accordingly, the debate on whether or not Social Security administrative costs should fall within the domestic discretionary cap should take into consideration that, while the trust funds are off budget, not all SSA administrative costs are trust fund-financed. Only 57 percent of the LAE account was chargeable to the Social Security trust funds in 1990. The remaining 43 percent was chargeable to the Medicare and SSI programs, both of which are on budget.

Status of 1991 and 1992 Budgets

In order to assess the effect of placement under the budget cap on our ability to provide quality service to the American public, let me review our 1991 and 1992 budget situation with you. At this point in time, we are operating at an annual level which is $106 million below the 1991 President's budget request. This is due to Congress' action to increase the contingency fund from our requested level of $50 million to $146 million. As a result, I have directed our managers to allocate and manage resources in a way that will ensure the most effective use of the funds we have.

This includes delaying nonsafety-related building repairs and equipment replacement and depleting inventories of supplies in order to absorb budget reductions, rather than cutting back on direct service to the public. In addition, we are facing unbudgeted costs for pay reform and reconciliation legislation. So, you should not be surprised to hear that there are some areas in our system where we are not going to be as responsive to claimants and beneficiaries as we would like to be.

In spite of the reductions we were forced to absorb in FY 1991, we were determined to provide the DDSs an increase in funding because their budget had been held almost level for the 2 prior years. The FY 1991 increase of $46 million reflects the full amount the President requested for the DDSs in his budget. In FY 1992, the President's budget contains, for the DDSs, an additional $68 million. The Office of Management and Budget and the Secretary were supportive of our request for a supplemental appropriation of $232 million to reprocess disability cases related to the Zebley v. Sullivan Supreme Court decision, and that request is before the Congress in the budget the President recently submitted.

For FY 1992, the administration has requested $4.532 billion for SSA's LAE account--an increase of 9 percent--which compares favorably with the overall increase in the domestic discretionary cap of 6 percent. This recognizes SSA's increased workloads and the importance the President and the Secretary have placed on our work. My real concern, however, is not whether more funds would have been requested in the absence of a cap, but whether the Congress will, as part of the 1992 appropriations process, grant our full request. For FY 1991, we will do the best job we can within available resources; and we hope the Congress will provide us with our full appropriation request for FY 1992, as well as enact, at the earliest possible time, the Zebley supplemental appropriation request. Now, I would like to respond to specific issues raised by the committee.

Protecting Beneficiaries

The committee has stated that the reason for excluding Social Security benefits from the new Gramm-Rudman spending caps was to protect beneficiaries from short-term budgetary pressures. You asked if the budgetary treatment of administrative expenses impinges on this objective. I would say no, it does not. What would impinge on this objective would be Congress' failure to enact the full LAE request that the President submitted.

Are Additional Resources Needed to Improve Service?

I am sure SSA is not the only agency that will make the obvious observation that we can always do with more money. The real issue is: are we able to perform at an acceptable level of service? In the last 10 years, we have changed the way we interact with beneficiaries. We have instituted the 800 number and have found that many people prefer the telephone to an office visit. We have automated many of our intake processes.

Because of these changes, we have begun a process to develop a long-range plan to define service requirements, means to increase productivity and efficiency, projected investments in new technology, and, in general, provide a picture of how SSA will deliver high-quality service to the public into the next century. This will not be a short-term effort. Once completed, it will help us develop more efficient and effective ways to manage workloads within the available administrative resources.

Problems with Treating SSA Administrative Expenses Differently from Administrative Expenses of Other Programs

The committee has asked about the impact of treating the administrative expenses of Social Security trust fund-financed programs differently from the administrative expenses of other Federal programs.

I cannot speak to the impact on other Federal programs, which I do not administer. However, it is vital that SSA's administrative account be viewed and treated as a single entity. While funding for LAE comes from different sources, the administrative account represents a carefully crafted, integrated whole. Subjecting the various portions to inconsistent and uncoordinated rules could potentially create problems in service delivery. A person who calls Social Security with a Medicare question or an SSI question should receive the same level of service provided to a visitor with a question regarding the Social Security retirement program.

Conclusion

Mr. Chairman, whether Social Security is included or excluded from the domestic discretionary cap in the future is a reasonable question for congressional debate. However, regardless of the outcome, I am convinced that there will always be budget constraints, and SSA always will do the best job it can within those constraints. And there will always be the need for an adequate administrative budget for Social Security based on the work it is asked to do. For FY 1991, Congress reduced administrative funding available to SSA by $106 million while at the same time enacting reconciliation legislation which added significantly to the work of the Agency. I am hopeful that this year, working together, we will be provided adequate resources, as requested, to do the work required.

Thank you.

Chairman JACOBS. Thank you, Ms. King.

Mr. Bunning.

Mr. BUNNING. Thank you.

Commissioner, would you care to speculate on the effect of removing SSA from the domestic budgetary cap? Wouldn't the Appropriation Committee and OMB continue to monitor administrative costs?

Ms. KING. That would be my assumption, although I have never actually seen a scenario as to how it would actually operate. My assumption is there would always be oversight. In fact, because we deal in a world of reality at Social Security, my assumption is that there will likely always be some constraints. So I am not really sure how being out from under the budgetary cap would work, but I am not suffering from the delusion that it would mean that Social Security could spend as much money as we would want to.

Mr. BUNNING. Historically, SSA has had a pretty good or reasonably low overhead. I believe the current ratio of administrative expenses in the OASDI program equals about 1 percent of benefits paid. Is that correct or not?

Ms. KING. We have been averaging anywhere from 1 to 2 percent. It hovers around 1.5 percent. But you are right, that is an extraordinarily low administrative cost for a program so large.

Mr. BUNNING. Would that be because some of the congressional offices are doing a lot of the work? [Laughter.]

Ms. KING. I would submit, Mr. Bunning, that there are 63,000 hard-working Social Security employees who see themselves working in partnership with many of the congressional offices, and together we are trying hard to serve the 42 million beneficiaries who are currently receiving checks from Social Security.

Mr. BUNNING. Commissioner, I understand that SSA, along with other Federal agencies, will be converting to FTS-2000 this fall. Will that switch to AT&T produce savings? Will it help you?

Ms. KING. Mr. Bunning, as you know, we are required by statute to switch our telephone service to the FTS-2000 system. We are, indeed, not anticipating savings. We expect that the cost of our 800 number service, for instance, will increase about $10 million in the first year after we switch from MCI to the FTS-2000 system. Equally unhappy news is that we will also have to change the 800 number after October of this year since 800 numbers are allocated in blocks to the individual long-distance carriers, our current, very familiar 1-800-234-5SSA number will have to be changed.

Mr. BUNNING. It is amazing to me that you are going to have to switch. In the congressional office, we had to switch the other way.

Ms. KING. I believe the statute—and, again, this happened some time ago—required that there be two carriers, and we were informed some 8 to 10 months ago that we are required to switch.

Mr. BUNNING. You are then telling us that you don't think it is going to help. Will or will not improve your services?

Ms. KING. Clearly, Mr. Bunning, in the world of Social Security with a $282 billion overall budget, $10 million sounds small. But $10 million is a lot of money when you think about it in terms of taxpayer dollars. So $10 million is of some concern. I understand that some of that is due to charges levied by GSA rather than higher telephone charges by our new carrier, AT&T. So in all candor, that is something that I hope the administration has looked at very carefully.

But I will not pretend that switching over from the 800 number is going to be an easy feat. We will try to do a clean cut on the 1st of October. We will certainly do as much publicizing of the new 800 number as possible. We will publicize the date the number is effective, but I am convinced there will be some inconvenience.

Mr. BUNNING. Thank you.

Chairman JACOBS. Thank you.

If I may, two points before we go on. One, without objection, Mr. Cardin has a statement he would like placed in the record.

[The prepared statement follows:]

OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. Chairman, I am concerned about whether the Social Security Administration can stabilize its operations and meet its responsibility to the public under the pressure of the 1990 Budget Summit Agreement spending cap as interpreted by the Office of Management and Budget. I appreciate the opportunity to address this important issue.

The downsizing of the agency, initiated by the previous administration, has adversely affected the level and quality of service provided by the Social Security Administration. This downsizing occurred during an increasing buildup in the Social Security trust fund which is used to fund the administrative cost of the program. While I commend Commissioner King and her staff on the good job they are doing, the constraints caused by spending cuts limit the improvements which they are able to make.

My office receives daily complaints on such issues as the inability to reach the agency using the 800 number, the length of time it takes to get a decision on disability claims, the long waits to file a claim, the lengthy appeals process, the growing backlog of unprocessed work and overworked employees frustrated over not being able to provide the level of service the public deserves. In addition, the agency is now working under a court order (*Zebley*) to review a large number of previously denied SSI disability claims filed on behalf of children.

Last year, Congress responded to growing concern about the budgetary treatment of the Social Security trust funds by excluding Social Security from the Gramm-Rudman deficit calculations. But, there is a dispute as to the language of the act and whether it takes the administrative expenses off budget as well. I have written to the Office on Management and Budget on this issue.

To keep the Federal budget process consistent and honest, All disbursements from the Social Security trust fund should be off-budget. The American people and Congress have made it very clear that this is what they want. As the public pays FICA taxes separately, wants the funds kept separately, and demands that the program be kept on a separately sound fiscal footing—so too, the program's administration should be funded separately from other Government operations. I am convinced that if this was the case, the Social Security Administration would have a better chance of receiving the funds it needs to administer the program.

Mr. Chairman, the scheduling of this hearing signifies your commitment to improving the service provided by the Social Security Administration. Thank you for your attention to this matter.

Chairman JACOBS. Two, for the record, I think it ought to be understood that the bill that was introduced yesterday only relates to the Old Age and Survivors and Disability portion, which is, in fact, financed by the Social Security tax. It does not apply to the Medicare portion.

Ms. KING. Or the SSI portion.

Chairman JACOBS. Or the SSI portion, yes. Just to the portions that I mentioned. So roughly 60/40, I just think we ought to be in the right context and on the right track so that we will all understand what we are talking about. We are not talking about taking a cap off of general revenue sources. We are only talking about the Social Security tax itself, and the issue is whether it should be independent and according to the need of the administration of the purpose for which it was collected.

I recognize Mr. Pickle now.

Mr. PICKLE. Thank you, Mr. Chairman. It is good to be back with you on the committee and to have a chance to——

Chairman JACOBS. Well, isn't this role reversal? A couple years ago, you—I like it. [Laughter.]

Mr. PICKLE. I must admit that I am having a great deal of a challenge getting back into Social Security as deeply as I was previously. But I welcome this chance, and I am glad to have a chance to visit with you. I have been trying to read some of your testimony, but I was really disturbed a minute ago when you stated that Congress always in effect, appropriated less money than you had asked for.

Ms. KING. I didn't say always, Mr. Pickle, but I said many times——

Mr. PICKLE. That is a misleading statement, and I take exception to that. Before I get into regular questions, I want to point out to you that the time I was not on this subcommittee, in recent years, the last, say, 5, 6 years or more, SSA has reduced their staff over there by some 17,000 people, a 20 percent reduction. Now, you take and present that reduction as purely and simply because Congress made them cut back?

Ms. KING. I do not. I do not, and I don't——

Mr. PICKLE. That is the impression you are leaving, that we always undercut you.

Ms. KING. No. Please, Mr. Pickle, let me correct what I said if that is what you heard me say. What I said simply was budget requests that have come up in the past for Social Security have frequently, during the appropriations process, come out of that process with an obligation level lower than the request. Let me be specific.

In fiscal year 1990, we sent up a request for a budget and came away with a contingency fund. That happened again in fiscal year 1991. This year, instead of a $50 million contingency fund or a $100 million contingency fund, we came away with a $146 million contingency fund, which provides less operating moneys for Social Security than the request that was originally submitted asked for.

Mr. PICKLE. This is an ongoing kind of an argument that you can entertain yourself about why you didn't get the money that you requested and whose fault was it. This committee held a subcommittee hearing, I think a couple of years ago. I happened to have attended that hearing, and I think Mr. Enoff testified then that they were trying to justify the statement you just made. The cold fact of the matter is that the President makes his budget request early in the year, and he very seldom puts in the amount of money that you want and that you requested. And then we go along through the year, and then toward the end of the year they have an administrative cut across the board and it affects everybody, including SSA. Then you contend that Congress didn't give you all the money you wanted.

Now, that is just rather a self-serving type of argument, and I don't think it has anything to do with this particular hearing this morning.

Ms. KING. Absolutely not.

Mr. PICKLE. But I want to make the point that actually what you have done is reduced your personnel for the last 7 or 8 years at a time when caseloads were growing. Now, let me try to make a point on some of what I am talking about caseloads because I am trying to get at the services you ought to be giving to elderly people. Let me ask you, with respect to the present condition under which you are working, with respect to the recession that we are undergoing now, what impact do you think the recession will have on disability claims? What is your workload now?

Ms. KING. It is clear that the number of disability claims is growing.

Mr. PICKLE. Do you have a backlog or what?

Ms. KING. There is a backlog, Mr. Pickle. It is growing. We have made it very clear to everyone from the time that we picked it up that we were getting more claims in disability, many, many more claims than we had anticipated, 14 percent higher than the number of disability claims received last year. We know that there is a correlation between the economy and this higher number of claims coming in.

Mr. PICKLE. And there is a correlation.

Ms. KING. There is.

Mr. PICKLE. I understand that last year, 1990, your caseload increased by around 94,000 cases, a 20 percent increase from the previous year. I am further advised that if that continues in 1991, your backlog is going to be somewhere in the neighborhood of 220,000. Is that generally correct?

Ms. KING. Generally, Mr. Pickle. I can give you some specific numbers. Work on hand is estimated to increase by 26 percent in fiscal year 1992. We expect that we could see as many as 150,000 additional cases by the end of fiscal year 1992.

Mr. PICKLE. All right. One witness today, based on the testimony I have looked at, is going to say you might have 220,000. You say 150,000, but at least you——

Ms. KING. But the number of cases is going up, that is right.

Mr. PICKLE. And if that is not 20 percent, that would be a 30 percent increase at least, instead of 40 percent. So we can argue about figures, but this would be a problem with respect to disability.

Ms. KING. Absolutely.

Mr. PICKLE. All right. Now, let me ask you about the continuing reviews. We established these continuing disability reviews way back 10 years ago, and you are supposed to conduct a certain amount of them. When you do, it has been proven that that saves money. Now, what is your plan for this year? Do you plan to do any continuing reviews this year?

Ms. KING. The plan that we submitted in our recent budget submittal includes 150,000 continuing disability reviews, CDRs. We are trying, Mr. Chairman, to balance our work—continuing disability reviews as well as new claims. Clearly, from our perspective, if we had to look at what our priorities are, we would like to be sure that we are serving people who are coming to us with new disability claims. So we have a mix going. We had estimated 150,000 CDRs would be processed this year. We are falling behind already.

Mr. PICKLE. Now, I am surprised when you say you expect to have 150,000 because I don't think that your SSA budget request provides any funds for the continuing reviews. Is that correct?

Ms. KING. No, Mr. Chairman, it is not. The fiscal year 1990 budget assumes we will process 150,000 CDRs.

Mr. PICKLE. In 1989, you did 465,000 CDRs. Now, that is a reduction to at least one-third, is it not?

Ms. KING. Yes, it is.

Mr. PICKLE. And as cases increase, you are going to reduce the reviews?

Ms. KING. One of the things we recognize, Mr. Pickle, is that this year, in fiscal year 1991, without the $146 million that is in the contingency fund, we are going to have to make some tough choices. This is not a happy one. We did not anticipate that we would not have the use of those funds this late in the fiscal year, but we are looking for new and innovative ways to handle this problem. We are focusing our disability reviews, for instance, on those cases that we determine medical improvement is expected, because that is the best, most-cost effective group of CDRs.

Mr. PICKLE. Commissioner, the figures at least that I have been advised, they say that you had no budget money actually specifically allocated for these continuing reviews during the next fiscal year. Now, if you are telling me that you are going to have them, is that correct?

Ms. KING. Your information, Mr. Pickle, is not correct. We budgeted for 150,000 CDRs this year.

Mr. PICKLE. All right. You said you did budget, and that is a fact, if you did or didn't.

Ms. KING. Yes.

Mr. PICKLE. But even if you did, that is only one-third, a reduction from what you did the previous year. So it looks to me like you are just cutting back. And the Congress is now mandating that you do a certain percentage of these, because it has been proven that for basically every 10,000 reviews you will save $9 to $10 million.

Ms. KING. That is correct.

Mr. PICKLE. So you know that it is a savings, and yet you are going to say I am personally setting out to have less savings.

Ms. KING. Mr. Pickle, I would frame it differently, of course. I would, say as you have already recognized that we have backlogs, that we have an increase in the number of initial claims filed, an increase in the pending workload, and as you noted, sir, that we have had a 17,000 reduction of FTE over the past 6 yearsA. Because of all these factors, we are, indeed, faced with having to make some difficult choices.

Mr. PICKLE. Mr. Chairman, I have other questions, but I know that my allotted time at this point has expired. I would like to yield the time. I don't seem to want to argue with you, but I cannot for the life of me understand how you can continue to give less service, cut your staff back more and more and more, and at the same time contend, as your previous administrator did, even at some point, that they are not able to get the work done because they don't have sufficient staffing. Now, that is a very self-serving kind of a position to take, and I want to look into that further. I do ask for time later, Mr. Chairman, and I yield back my time at this point.

Chairman JACOBS. Thank you, Mr. Pickle.

Mr. McDermott.

Mr. McDERMOTT. Thank you, Mr. Chairman.

Being a new Congressman, I know one thing: that Social Security is about 70 percent of what we do in our office in terms of answering questions. So I have a lot of interest in what happens here.

There was a recent article in the Los Angeles Times which I would like—I don't always believe what I read in the newspaper, but I just would like to confirm with you what that article says. The article says that even if you get your full budget request, disability processing times will increase from 3 months to 6 months. Is that what you actually project?

Ms. KING. Let me put in a caveat. Yes, that is our projection if we do not receive the money that was set aside in the contingency for fiscal year 1991. Even if we get our fiscal year 1992 budget request, we will fall behind twice as far, assuming that we have to start from where we are now without the contingency money. We are, as I said, Mr. McDermott, starting out without the use of $146 million that the Congress made available to us because that money is tied up in a contingency fund. And unless we can get on top of that workload, we are going to find our time is slipping.

Now, I will hasten to add that this agency has never identified appropriate levels of service, or service level requirements: How long should it take us to process a disability claim? How long should it take us to process a Social Security card? When people are waiting for the service, the answer is obvious: as quickly as possible. But it is very difficult for us at this point, knowing we are going to end the year in a hole and knowing we are going to violate the first rule of holes—that is, when you are in one, you stop digging. Unless we get the contingency fund, we are starting out deep in a hole. And so it is clear to me that fiscal year 1992 we are going to be further in the hole.

Mr. McDermott. I can report anecdotally that we got a call this week from somebody who applied for a hearing in September and has not yet heard from the agency. So you are at 6 months already.

Ms. King. 6 months, and in some instances 7 months.

Mr. McDermott. Well, the article goes on to say that thousands of the disability beneficiaries who are scheduled to receive the continuing disability review will have to be ignored under your budget request. Is that what you intend to do, just ignore the request?

Ms. King. I don't believe the word "ignore" is appropriate. I think when you say thousands, if you are referring to the 150,000 target that we budgeted for, we anticipate that if initial claims continue to come in at the high levels we have seen recently——

Mr. McDermott. Beyond 150,000.

Ms. King. I am sorry?

Mr. McDermott. You are saying that up to 150,000 you think you can handle them, but beyond that you will ignore them?

Ms. King. I am saying that up to 150,000 CDRs is our target, but we may not be able to meet that target. So far this year we have only processed about 10,000 CDRs. Part of the problem, Mr. McDermott, as you can imagine, is we have had to set our priorities on providing service to people who come to us. In a lot of the continuing disability reviews, we find no improvement. We have found that 3 to 4 terminations out of 100 CDRs gets us to about a break-even point in terms of cost. So if terminations are running about 6 percent, then, in fact, doing CDRs brings money back into the trust funds, and we want to do that. But when we look at the backlogs that we have, it is impossible for us to expect our State Disability Determination Services to meet all of the workloads that we have laid out for them when they are just overwhelmed by the new claims coming in.

Mr. McDermott. Let me go back, then, to your suggestion that you do sort of deal with who comes in. The article goes on to say that the 800 number busy signal rates will average 25 percent and hit 50 percent on peak days under your request. So what you are basically basing all your request on or how you view it is that half the people who call are going to get a busy signal. Is that correct?

Ms. King. Well, not entirely. Again——

Mr. McDermott. That is why our office gets the call. They cannot get through.

Ms. King. Let me suggest, Mr. McDermott, that on peak days, what we call peak days—generally Mondays and Tuesdays or the day after a holiday—the call volume is much heavier. We know from our own integrity reviews that a number of calls coming in are repeat calls. The busy rates are always lower when we are able to pick up the call the first time someone calls in. When people call in and get a busy signal, generally speaking—and our studies bear this out—they will call back. If you call twice, you get a busy signal once and you get picked up the second time, that is a 50 percent rate for you. And so what we have tried to do on peak days is to manage the work force so that we have more people picking up the phone the first time. It has been busy, but we are doing a lot better. We handled 250,000 more calls this past January, last month, than we did a year ago. So overall, I see some progress.

We have made progress in the busy signal rates, too, over this period of time, but busy signals are not the only indices that we look at. We must look at accuracy. We must look at how clients are satisfied, and we do look at all those things. And as I said—and I was serious—our accuracy rate is high. In fact, I have some numbers that I could share with you on the accuracy rate, and I will submit those for the record if you wish, and our client satisfaction information from the Inspector General's office indicates that people are generally satisfied. If they are going to do business with Social Security again and they were satisfied when they called us, they will call us again.

[The information follows:]

800 Number Accuracy Rates

We regularly issue two types of reports on 800 number service. One deals with accuracy of information we provide and is based on our monitoring of approximately 25,000 calls every 6 months. The other presents information derived from called recontacts with approximately 1,000 individuals and is scheduled to be issues quarterly.

The latest report on accuracy was issued on June 7, 1990, and showed that the overall payment error rate for all TSCs for October 1989 through March 1990 was 2.4 percent. The payment error rate was calculated by dividing the number of errors which have the potential to affect payment or eligibility by the total number of calls sampled. About 6.1 percent of all calls to the TSCs involved incorrect information that could potentially affect SSA's workload or caller inconvenience. I will be happy to furnish you with copies of the next reports for both types of surveys when they are available.

Preliminary findings are available for the most recent caller recontact study, which included a survey of 1,034 callers who reached the 800 number in August 1990. These findings show that caller satisfaction with the 800-number service is high: 96 percent of callers who expressed an opinion said they had an overall favorable opinion of SSA, an increase of 2 percent over the previous survey; 98 percent of callers who expressed an opinion said they were treated courteously; and 86 percent said the service was better or at least as good as their prior contact with the 800 number. Also, 93 percent of calls surveyed said their preferred method of next contact with SSA would be the telephone (compared to 91 percent last quarter), and 90 percent of callers were satisfied with the manner in which their call was handled.

Mr. **Pickle**. Would the gentleman yield?

Mr. **McDermott**. Yes.

Mr. **Pickle**. I don't want to belabor this, but in my own city when people call about a question, they don't get an answer; and when they do, it is some place far off—Baltimore or Boston or even Indianapolis. The question is, is the 1-800 number a better, more appropriate way to handle these cases than local number? They never get a local answer, and when they do get somebody on another line who is many thousands of miles away, they don't have access to the information that they need. So they just have to kind of get it and finally pass it on up.

But the fact is, whether it is better or worse—and I think it is worse because there is no local service. The fact of the matter is, to give that big 1-800 number, you have to reduce personnel somewhere else. You have to reduce local personnel. My people locally are being cut on telephone service and other service just so the 1-800 can go in place.

The question is how best to service, and I really think the 800 number is questionable. It may be all right in some instances, but to cut it off totally seems to me like you destroy the one connection that you need most of all, the direct connection.

Ms. **King**. Mr. Pickle, we did hear those very appropriate comments last year, and we have made some management changes. I would like to share them with you. We are actually routing calls more locally. We are trying to focus in more on our local teleservice centers. While the four mega-teleservice centers that you refer to are, indeed, spread out all over the country, we have 33 other teleservice centers where we are now routing in calls according to area codes to try to have the calls answered by someone near the caller's area.

The 800 number telephone service—and let me be very clear about this—is in no way intended to replace the service provided in the local offices, in no way. And, again, reductions in your local office can probably be attributed to the downsizing that took place. Most local offices lost employees, and that is a sad fact.

We are looking very carefully at that to make sure that we have people in place to serve people who come in. And even when your constituents call the 800 number, and hopefully get through, if they want the number of their local office, all they have to do is give their ZIP Code to the teleservice representative and they will get the local office number. We have tried very hard to respond to your concerns from last year, and we hope we are making some headway.

Mr. **Pickle**. I thank the gentleman for yielding, and I don't want to belabor it. But the whole process is very discouraging, and locally people just stop calling because either they are not getting an answer or they don't like the 1-800 approach.

I thank the gentleman for yielding.

Mr. **McDermott**. Thank you. I just have one short question. We have heard about the $146 million contingency fund. I assume that you have asked for that money to be released. You have written a letter to Mr. Darman. What have you asked for the money to be used? Has the letter gotten up there? Have you gotten a response? Are they too busy with the war to pay attention to domestic issues? Could you tell us what the status of that request is?

Ms. **King**. Mr. McDermott, I am glad you asked that question. I have asked and asked. My initial request at the beginning of the fiscal year was for the entire $146 million. In my most recent request that just went back on the 12th of February, I justified—I believe adequately—$42 million that I need for the State Disability Determination Services. Now, you hear me talk a lot about the State DDSs, but they are our front line. They are out there doing the work in all of our States, and they have existed in the recent past without any increase. And so this year I made the commitment that we would give them an increase. We increased the funding for State DDSs from $754 million to $800 million. And even though the contingency contains $146 million, I met that commitment for the entire $800 million, and that money has been disbursed to the State DDSs.

We have gone back now and asked for an additional $42 million from the contingency fund because they have a backlog, as Mr. Pickle pointed out. They have the work piling up in their offices, and we have simply got to give them some relief. And so that is part of the priority, $58 million for our own Social Security components. We need to hire more administrative law judges. Mr. Pickle seems to have exposed all of our dirty laundry this morning because the truth is that we do not have enough ALJ's on board to do hearings in a timely way. That is not a secret. We have got to bring more people on board.

We have got to upgrade some of the systems, some of the tools used in the Office of Hearings and Appeals and in the State DDSs. We cannot expect them to process cases quickly when their word processors are breaking down. And so we have the responsibility, since they are doing the work for us, to make sure they have the tools they need to do the job. And we have asked for additional money for the information technology systems, and the request is back with OMB.

Mr. McDERMOTT. You did one in October, at the beginning of the fiscal year.

Ms. KING. I did one——

Mr. McDERMOTT. And then you did it again——

Ms. KING. I did one when we got our budget request, and I think it was in the middle of November, because that is when the Omnibus Budget Reconciliation package was wrapped up and we got our budget figures, and I knew the contingency was higher than we had requested. So I did one before the end of the year. One has just gone back——

Mr. McDERMOTT. Did you hear anything on the November 15th request?

Ms. KING. Contingency requests are returned to the Department. The Assistant Secretary for Management and Budget at the Department did get a response. It was a nonresponse. They wrote, "Write back. What's the problem here?" The next response came back negative, so we sent back further justification.

Mr. McDERMOTT. That was in November?

Ms. KING. In February.

Mr. McDERMOTT. Oh, I see. In February.

Ms. KING. So we have just gone back with another request, February 12.

Mr. McDERMOTT. The answer was no in November, send us more information. You sent more information. Do you have any response from them now?

Ms. KING. We are waiting. It has been a week.

Mr. McDERMOTT. When do you expect you will get a response?

Ms. KING. I hope——

Mr. McDERMOTT. Another 3 or 4 months?

Ms. **King**. Mr. McDermott, I hope we will get a response within the next few days, because, frankly, we have needed the money since the beginning of the fiscal year. And the longer it takes, the more we fall behind.

Mr. **McDermott**. Thank you for your candor.

Chairman **Jacobs**. Mr. Cardin will inquire.

Mr. **Cardin**. Thank you, Mr. Chairman.

Commissioner King, as usual, you have done an excellent job even though you have had to defend the unreasonable policies at OMB as it relates to allocation of resources to your agency for administrative costs, and also their position on the trust funds being used for the administrative costs being subjected to the cap in last years budget agreement. I am very pleased to hear about the chairman's bill that I think would clarify what Congress always intended in the budget agreement last year that in regards to those administrative costs that come out of the trust fund. These funds should not be subject to the cap, as the surpluses from the Social Security trust fund shouldn't be counted towards the deficit.

As you know, and as each member has explained, we receive complaints frequently from our constituents in regards to busy signals on the 800 number and length of time for disability determinations. And I think we sympathize with you that many of those problems are caused by the lack of adequate resources being made available to your agency. We are hopeful that the funds that you are requesting in this current fiscal year out of the contingency fund will be made available to you so that you don't get deeper into problems.

I want to get back to disability claims for one moment and some of the comments that have been made. Let's assume you get funds in this year, the 40-some million that you are requesting in regards to disability determinations. What resources would you need in addition to what has been allocated by OMB for the next fiscal year in order to reduce the backlog from the current 6 to 7 months to current determinations? There is an indication that there is going to be an increased amount of claims filed, particularly in a recessionary time. How much additional resources would you need in order to be able to eliminate the backlog in disability determinations?

Ms. **King**. Mr. Cardin, that is a matter that I will have to get back to you on for the record. Part of the problem with giving you a direct answer at this point is, as I said before, we have never in the agency identified service level requirements—that is, should the normal case take 60 days? For an initial determination, should it take us 90 days? You very often hear people talk about 90 days for the initial determination, but there are people who have been at Social Security for a while who remember that the norm, if you will, was that it took 60 days to process a claim. So we are now working on a revised agency strategic plan, trying to come to grips with some service level requirements that will give us a handle on how we are doing—because right now we can tell we are not doing as well as we were before. And that is an answer, but it is not the whole answer.

Mr. **Cardin**. I would appreciate if you would get back with some specific figures. That would be helpful.

The information that has been made available to us indicates that in a recent survey of State disability determination service directors, a large percentage—80 percent—thought that the quality of determinations were affected by the lack of resources. So in addition to the fact that we have a backlog, we also have people on the front line telling us that they don't have adequate resources to make the proper and fair determinations. So I would hope that you would get back to this committee on what resources are needed in order to not only eliminate the backlog but to improve the support that the directors believe is necessary to process these claims. I think that would be helpful to us.

Ms. King. I will do that, Mr. Cardin, and we will supply what we need to eliminate the backlog in a reasonable timeframe. We can give you a series—a how quickly question will also come into it.

One of the commitments I tried to make early on was to the State Disability Determination Services. There is a $50 million increase this year, and in our fiscal year 1992 budget, you will notice that we are asking for $868 million, $68 million additional for the State Disability Determination Services. And in the *Zebley* supplemental, the $232 million supplemental, we are requesting an additional $50 million for fiscal year 1991. So we recognize their problem. This is not idle griping on the part of our State DDSs. They are, as you say, on the front line, and they are hurting, and we recognize that.

Mr. Cardin. I think it is clear that if you got all the money that you requested in the supplemental and you got all the money that you are requesting in fiscal year 1992, there would still be a backlog in disability determinations.

Ms. King. By the end of fiscal year 1992, that is correct.

Mr. Cardin. By the end of fiscal year 1992. So there still would not be adequate resources for the administrative expenses in this area?

Ms. King. And your question is what would be needed to eliminate the backlog by the end of fiscal year 1992?

Mr. Cardin. That is correct.

Ms. King. All right. We will get that answer to you, Mr. Cardin.

[The following was subsequently received:]

Resources Needed to Eliminate Disability Backlogs

We approached our response to this question by using a unit cost concept to determine what resources would be required to return SSA to the pending levels in effect at the end of fiscal year 1989. The analysis also took into account the multiyear effort required to hire, train, and maintain a stable staff to handle the increased workload.

The following table shows the actual fiscal years 1989 and 1990, and projected fiscal years 1991 and 1992 end-of-year disability initial claims caseload in field offices and the Disability Determination Services (DDSs). The projections developed for fiscal years 1991 and 1992 did not assume release of the fiscal year 1991 contingency reserve.

The totals displayed for the DDSs are included in the field office totals, because the first step in the disability process involves the filing of a claim in a field office. The field office establishes and maintains a folder and systems control over the case, prior to forwarding it to the DDS for a disability decision. The DDS makes one disability determination, whether the claimant has filed for Disability Insurance (DI) benefits only, Supplemental Security Income Blind/Disabled (SSI B/D) benefits only, or both DI and SSA B/D programs. In contrast, field offices make separate determinations of eligibility for each program. Therefore, field offices count concurrently filed DI and SSI B/D claims as two claims since two determinations are made, while DDSs count them once since only one determination is made for both programs. This is why the totals for field offices are higher than the totals for the DDSs.

	Fiscal year			
	1989	1990	1991	1992
Field offices: Total DI and SSI B/D claims	443,370	558,114	[1] 741,614	[1] 900,714
DDS: Total DI only, SSI B/D only and concurrent DI/SSI claims	306,717	384,909	[1] 553,009	[1] 703,409

[1] On March 14, 1991, an additional $100 million was made available from the $146 million contingency reserve for administrative expenses in fiscal year 1991. Most of these funds will be used to help reduce the projected increase in the end-of-year disability initial claims caseloads in field offices and the Disability Determination Services.

The fiscal year 1990 agency unit cost, based on the field office count, for processing DI and SSI B/D claims to completion runs roughly $442 per claim. Based on this information, the additional cost of appeals, and built-in unit cost increases, we estimate returning SSA to fiscal year 1989 pending levels would require, at a minimum, $200 to $300 million over a 2 to 3 year period.

Mr. CARDIN. Let me raise a second issue. I hope for my colleague from Texas that whenever his constituents reach the 1-800 number where people from Baltimore are answering those phones, that they are getting adequate and fair service. I am sure that they are. Really fine people work there, and they give excellent information.

Mr. PICKLE. Mr. Cardin, they are fine, but they don't answer the phone and say, "How are you all?" [Laughter.]

Mr. CARDIN. If you come to the southern part of my district——

Ms. KING. We have to work on that, Mr. Pickle.

Mr. CARDIN. I will invite you over, Mr. Pickle, to give some private lessons to some of our people.

I happen to agree with the comments of my colleagues that 50 percent busy signals is unacceptable. Yes, some people will call back, but I think they expect better service than having to continue to call back. There are now more peak times than nonpeak times, as far as the agency is concerned.

Last year, this committee—admittedly I was a bit concerned about what this committee did—instructed you to give out local numbers, increasing service at the local levels. I remember a conversation that we had at that time. You said, "That's fine. Where do I get the resources to put people at the 800 number and people in the local offices?" I am just wondering whether all of a sudden OMB has been generous to you and provided you all the resources that you need in order to provide prompt telephone service on the 1-800 and in the local offices. Given the fiscal year 1992 budget, will be able to answer at a much higher service level than this year?

Ms. KING. Mr. Cardin, I would love to tell you that my colleagues at the Office of Management and Budget were that generous, but I don't think you would believe me, and so I am not even going to try it. What I will say is that—and I tried to be candid last year, we are at a point where we are doing the best we can. The Social Security people in some program service centers are doing two jobs.

They are helping out at peak times. They are pitching in. But make no mistake about it, our field offices are also working to capacity. We have just, in fact, redesigned a number of service indicators like waiting time so that we could get a better fix on how much work is actually taking place in our field offices, because they are working to capacity, too.

And so one of the things I did with the increase in funds, with the 9 percent increase, in recognition of the fact that we simply needed more people, was to increase the number of FTEs. I attempted to do that in a way that would provide some relief for our field offices and at the same time relief for the State DDSs, and to give some relief for people who are actually helping out with the telephones. It is a tremendous load. Our increase in telephone service alone is already 50 percent higher than we could have imagined.

Mr. CARDIN. Let me just conclude by saying that at least this Congressman is encouraged, even though the tone of our questions might be expressing major concerns in the service level. I am encouraged because of the quality of the people that are working at SSA and their dedication under extremely difficult times and the leadership that you provide to the agency. So I hope that we will see the results that our constituents want.

Ms. KING. Thank you, Mr. Cardin. If it were not for them, I wouldn't be here today.

Mr. PICKLE. Mr. Chairman, may I ask one other question?

Chairman JACOBS. Why not?

Mr. PICKLE. I am going to get some figures from you. In planning your 1992 budget, what did you estimate that your agency would need? Specifically what figure did you ask HHS or Secretary Sullivan that you needed?

Ms. KING. When the initial request went up, Mr. Pickle, I requested $4.6 billion for our administrative——

Mr. PICKLE. To HSS?

Ms. KING. Yes.

Mr. PICKLE. Now, what did HHS then recommend on to OMB?

Ms. KING. I believe that that was the amount that the Secretary forwarded. The amount he forwarded I believe was very close to our original request.

Mr. PICKLE. Then what did OMB agree that they would put in the budget?

Ms. KING. After some back and forth, we got $4.532 billion with a $50 million contingency, so that the actual obligations would be $4.482 billion with contingency.

Mr. PICKLE. All right. Now, I would like to have as a matter of record for the committee your specific request, the funds you asked for, specifically what Secretary Sullivan passed on to OMB, and specifically what they recommended to us. I understand that there might have been some contingency moneys involved. I would like to know what that is. I know that during the year you normally request an additional contingency and more supplemental. You try to back up and cover up real quick what you didn't ask for originally by use of the contingency and supplemental. That is a regular practice, but let's stick with the facts first. Give that to committee, will you, please?

Ms. KING. Yes, I will. (See *infra.*)

Mr. PICKLE. All right. Thank you.

Chairman JACOBS. Ms. King, there are some claims against the Social Security system made by beneficiaries who have paid into the system, and it strikes me that, depending on which way you point your view, those claims can be characterized at the mildest as controversial, somewhere in the middle as dubious, and at the other end bogus. But it does strike me that there is one claim that can be made by those who paid their money into Social Security through the years, and that claim is timely response to their benefit claims. Consequently, it seems to me that it is logical to argue that part of what they paid to the Social Security system was paid to realize that claim. And, of course, that goes to the heart of this hearing.

You can't say that in the case of SSI. To a certain extent you might say it in the case of Medicare, but clearly not to a full extent. But it seems to me in the case of the bill that is before the Congress to which I have referred, you almost would have to say it 100 percent.

Now, Mr. Bunning and I were just discussing the fact that when we say delay, we don't refer to any interval between the time that a claim is filed and the reasonable time for it to be processed. That, we agreed, is the process. Delay would be any period of time past a reasonable time for process. So I just say that for the record.

On September 29, 1989, 2,500 telephone lines were discontinued to the local offices; is that correct?

Ms. KING. That is correct, Mr. Chairman.

Chairman JACOBS. And then Congress came along and passed a law last year that stated that the service which existed then, the level, I believe, is the statutory language, must be restored. It seems to me to the reasonable mind that means that 2,500 lines would be connected again. Do you know the cost of connecting those 2,500 lines?

Ms. KING. I have seen some cost figures, Mr. Chairman, but I don't have that with me.

Chairman JACOBS. Oddly enough, I do. It is $1 million.

Ms. KING. Well, $1 million, I know, was the amount that was indicated.

Chairman JACOBS. So that is not a gargantuan sum just to obey the law. Isn't the real problem having the personnel to pick up the lines when they ring if they are reconnected? I assume they haven't been reconnected yet.

Ms. KING. Mr. Chairman, you will recall that when I appeared before this subcommittee at that hearing, I tried to make the point that it served no useful purpose to the people we are trying to serve for us to put a telephone number in a phone book, and to have a phone ring, if there is not going to be anybody there to answer it. And you agreed with me that that didn't make a lot of sense.

When I saw the language that came out in the Omnibus Budget Reconciliation Act, it was very clear to me that your reference was to access and not to lines. I didn't see any reference to lines in the language as it was presented in OBRA. And what was clear to us was that if you were talking just about reconnecting lines, our estimates are that it would cost about $6 million.

Chairman JACOBS. My information is it would be $1 million a year to connect and maintain those 2,500 lines, to reconnect them.

Ms. KING. Well, there appears to be some disagreement. Our information is that $1 million is what it will cost us to list numbers in local telephone directories for the over——

Chairman JACOBS. Well, that could be true.

Ms. KING. Yes.

Chairman JACOBS. What I said could be true also.

Ms. KING. And what you said, too, except that——

Chairman JACOBS. A Lincoln might cost a certain amount and a Cadillac might——

Ms. KING. Our budgeteers say it would cost $6 million to purchase and install new phone systems and to connect the lines. I think, Mr. Chairman, that we do agree that we are not providing service if we hook up a line that is going to ring and ring and that nobody is going to answer. We would not even suggest that that is what you had intended.

Chairman JACOBS. Well, then, wouldn't it be reasonable to say that the present requirement of the law involves both, reconnecting the lines and putting hands on them when they ring?

Ms. KING. I was not privy, as I am sure many of us were not, to all of the to-ing and fro-ing in the coming together with the 1990 Budget Reconciliation Act. So when we got some 50-odd provisions to implement, we had to look at the workload that came to us in terms of what was presented.

Chairman JACOBS. I appreciate that. But I am focusing on this one, and the spirit and the letter of law, restore to the level, it would take an enormous stretch of the imagination to believe that Congress did not mean what it said, level of access or whatever you want to call it that existed before they took out 2,500 lines.

Ms. KING. Unless you looked at the fact that only $1 million was estimated to cover the cost. Because if $1 million covers the cost of putting numbers back——

Chairman JACOBS. Ms. King, if that were true, we wouldn't have one weapons system in the field today.

Ms. KING. I appreciate that, Mr. Chairman, but you and I are concerned about providing service, and we recognize that in order to staff those lines we would be looking at some $40 to $60 million.

Chairman JACOBS. Let me make another connection, then, between the two points I have tried to explore. If the bill that allows for use of Social Security revenues to pay for administrative expenses outside the domestic discretionary spending cap would become law, then it strikes me that the 2,500 lines would be reconnected, and the people necessary to man and woman them could be put on. Otherwise, I think we are putting the public on a little bit.

Ms. KING. Mr. Chairman, let me say that this agency has tried to provide the best level of public service that we can under the circumstances.

Chairman JACOBS. You will never get me to challenge that.

Ms. KING. You and I recognize that there may always be budgetary constraints, but the commitment of this agency is to public service and to serving people who come to us.

Chairman **Jacobs**. Stipulated.

Ms. **King**. Again, people who walk in the door——

Chairman **Jacobs**. You do the best with what your "colleagues" give you.

Ms. **King**. You do the best you can with what your colleagues provide and what your friends appropriate, and we will do the best we can for as long as we can, Mr. Chairman. That you have my word on.

Chairman **Jacobs**. If there is one thing that is perfectly clear to me at this point—let's see. You said—what was that? "Oh, I'm glad you asked that question." I will do another Nixon. If there is one thing that is perfectly clear to me at this point is that you have had enough, and we thank you very much.

Ms. **King**. Thank you, Mr. Chairman.

Mr. **Pickle**. Mr. Chairman.

Chairman **Jacobs**. Evidently I was wrong.

Mr. **Pickle**. In my request for you to furnish the committee certain figures, I want you to also submit to the committee the figures you originally requested. Normally you make a request in the middle and at the end of the year in November. For this past year, what did you request specifically of HHS for in, say, the middle of the summer? Then what did your request show in November?

Ms. **King**. Yes. I appreciate your request, and we will make that available.

[The following was subsequently received:]

FUNDS REQUESTED FOR THE LAE ACCOUNT

The fiscal year 1992 President's budget includes $4,532 million for SSAs limitation on administrative expenses (LAE) in fiscal year 1992, plus a fiscal year 1991 supplemental budget request for $232 million for implementation of the Supreme Court decision in *Sullivan* v. *Zebley*. Supplemental funds are requested to remain available through fiscal year 1993.

The fiscal year 1992 amount is $21 million less than the amount requested by the Secretary for the LAE account in August 1990, and $94.9 million less than SSA's original fiscal year 1992 request made to the Secretary in June.

The following table shows the amounts of budget authority (BA) requested for the LAE account for fiscal year 1992 (dollars in thousands):

LAE—Fiscal year 1992 request

	Budget authority
Budget to HHS	$4,626,861
Budget to OMB	4,553,000
Budget to Congress	4,532,000

The $232 million supplemental requested for implementation of the *Zebley* court decision is the same amount of budget authority as requested by the Secretary in his budget to OMB.

In November 1990, at the request of the HHS Assistant Secretary for Management and Budget, we reevaluated our fiscal year 1992 needs in light of congressional action on our fiscal year 1991 appropriation, enacted pay reform legislation, 1990 experience with disability claims and the 800 number, and the additional responsibilities placed upon us as a result of budget reconciliation legislation and the *Zebley* court case. Our revised estimate, without any concern for funding constraints, totaled $5.1 billion, including funding to process *Zebley* court case workloads.

In its original review of our budget request, OMB recommended the President request $4.3 billion for SSA plus a supplemental appropriation to fund the *Zebley* workload; after discussion and reevaluation of our request, in light of overall funding constraints, the LAE request is $4.5 billion for fiscal year 1992, plus a supplemental request of $232 million to cover *Zebley* costs from fiscal year 1991 through fiscal year 1993.

Since the November request two significant changes have occurred. Congress enacted fiscal year 1991 supplemental appropriations, including funding for fiscal year 1991 through fiscal year 1993 for implementation of the *Zebley* court decision. In addition, on March 14, OMB released to SSA $100 million from the fiscal year 1991 LAE contingency reserve. Most of these funds will be used to help reduce pending disability workloads, as well as improve service on the 800 number network, implement provisions of the Omnibus Budget Reconciliation Act of 1990, and increase funds available for ITS investments.

Mr. PICKLE. The next question I would ask, I am trying to make up my mind what we ought to do about this particular problem. If we are involved in this question, do we go by the OMB figures and put this under the cap, administrative figures, or do we take them out from under? The law and the Congress clearly indicates pretty much that they are to be taken out from under the cap. I don't think there is a question if you read the law.

Ms. KING. For the trust funds, Mr. Pickle.

Mr. PICKLE. But the OMB law figure is a different figure. Now, which law prevails? OMB takes it upon themselves that we are the law of the east and west coast both. They are the law, and I don't know why or how the Congress will do it. But assuming that we go by the OMB figures and you are under the cap, will your services be hurt in any way, SSA services to the people?

Ms. KING. We already know that because of the economic downturn we are getting more people coming to us for service than we do in normal times. And so we could expect during this very busy time that there would be some lengthening of times for us to take care of everyone who comes to us. I don't know if I can believe everything I read in the papers either, but I guess what I am reading is that the recession may not be as long as people had originally feared, and if that happened——

Mr. PICKLE. Well, I had not intended to get into a discussion about the recession at any time. I am simply asking you if you are going to have to live with OMB figures, will services for SSA to the beneficiary be hurt?

Ms. KING. We are just concerned, Mr. Pickle, that we can continue to provide equal service for people who come into the office. Let me see if I can explain. We do a lot of business with Medicare. People who come into a Social Security office may have a Medicare question. We want to provide them service as well. If we are under the cap, we are going to serve them. The question is: Will it take us longer to get them a final answer? Perhaps, if we get more work.

Mr. PICKLE. I am not getting an answer, and I guess I want to get an answer from you. Will your services be hurt, will the beneficiaries be hurt if we go one way or the other?

Ms. KING. I think if it takes us longer to do some cases when people come to us and really need help right there on the spot, then yes.

Chairman JACOBS. Thank you, Mr. Pickle.

Obviously I was mistaken. You have now had too much. Thank you very much.

Ms. KING. Thank you, Mr. Chairman.

Chairman JACOBS. Our next witness represents the National Council of Disability Determinations Directors, Mr. Stan Kress, president; accompanied by Mr. Jones, secretary.

In the interest of time, I think we will try to invoke the 5-minute rule, if that is not offensive. If it is, I am sorry.

STATEMENT OF STAN KRESS, PRESIDENT, NATIONAL COUNCIL OF DISABILITY DETERMINATION DIRECTORS, AND DIRECTOR, IDAHO DDS, ACCOMPANIED BY CHARLES A. JONES, SECRETARY, AND DIRECTOR, MICHIGAN DDS

Mr. KRESS. Mr. Chairman, members of the committee, first I would like to request, in the interest of the 5-minute rule, that I summarize.

Chairman JACOBS. Without objection.

Mr. KRESS. Mr. Chairman and members of the committee, my name is Stan Kress, and I am the president of the National Council of Disability Determinations Directors, sometimes referred to as the NCDDD, and I appreciate the opportunity to testify on behalf of the council concerning the budgetary treatment of Social Security administrative expenses.

I am seeking your help in alleviating what is a crisis situation in many regions of this country and avoiding what will be a nationwide crisis if adequate funding is not provided. Last fiscal year, the pending cases of the Nation's DDSs rose by over 94,000 due to receipt of a higher than expected number of cases per level of funding. That was a 24 percent increase over those pending at the end of fiscal year 1989. SSA expects this situation to repeat itself this next fiscal year, and they conservatively estimate the pending workload will rise by another 220,000 cases by the end of this fiscal year, which would be another 41 percent increase.

This backlog of cases was created partially by increasing workloads—we received over 200,000 more initial, reconsideration and hearing cases last fiscal year than the previous year—and partially by the tremendous staff cuts that we have been assigned. Today, over 60,000 claims are just sitting in various DDSs across the Nation. These claims haven't been assigned to a disability examiner, and little or nothing is being done to process them. They may sit for a few days or for several weeks. In other States, the cases are assigned, but the examiners already have more cases than they can cope with in a productive manner, so once again they just sit.

The OMB contingency fund exists for the purpose of managing the kind of emergency the DDSs now face. Yet today the OMB has failed to release these funds awarded to SSA as part of the fiscal year 1991 budget. Therefore, it is essential that Richard Darman, Director of the OMB, be requested to immediately release the $146.7 million contingency fund to SSA.

In regards to the upcoming *Zebley* workload—the reworking of all the childhood cases denied since 1980 as mandated by the U.S. Supreme Court—the DDSs are nearly unanimous in stating they need the earliest possible passage of SSA's supplemental appropriation request. Most States feel it is already much too late for them to begin hiring and training employees for the purpose of processing the retroactive *Zebley* cases this year. States need to have the authority to hire and train staffs 6 to 9 months prior to their processing the retroactive *Zebley* cases, which are expected to start arriving around the month of May. Once hired, it takes that amount of time before disability examiners are fully productive. Most States will do their best to process the *Zebley* workload. However, if they do not have adequate numbers of trained staff and budgetary resources for case development, it will be difficult, if not impossible, for them to adequately process the estimated additional 300,000 cases that they will get this fiscal year. If due to a lack of resources these cases get backlogged, along with the additional 220,000 non-*Zebley* cases that are expected to be added to the pending workload by the end of this fiscal year, we will have added one-half million Americans to the waiting list for disability benefits.

Please let me state for the record that we feel Gwendolyn King is an excellent Commissioner of Social Security. If her predecessor would have had the compassion and concern for this country's most vulnerable citizens that Mrs. King has, and if Mrs. King and her Associate Commissioner for Disability, Susan Parker, had not inherited a program that had already been thrown into disarray, and if proper funding and staffing had been provided over the past 5 years, then the DDSs and the disabled citizens of this country would not be in this current crisis.

A major long-range solution to the problems addressed here would be to remove SSA's administrative spending from the budget calculations. The rationale for removing the Social Security trust funds from the deficit estimates and targets is that Social Security is a self-financed system in surplus and in no way part of the deficit problem. Without this exclusion from the budgetary cap on domestic discretionary spending, it will likely be difficult, if not impossible, for Congress to provide adequate resources for the Social Security Administration and the Disability Determinations Services; and without those resources, it will be impossible for SSA and the DDSs to reestablish the high level of service that the public deserves and has come to expect. I don't see the red light yet, so thank you. I made it.

[The prepared statement follows:]

TESTIMONY OF

Stan Kress, President, NCDDD

Mr. Chairman, members of the Committee, I appreciate the opportunity to testify on behalf of the National Council of Disability Determination Directors (NCDDD) concerning the budgetary treatment of Social Security administrative expenses. The NCDDD is a voluntary organization with our membership coming from the management staffs' of 50 Disability Determination Services (DDSs) nationwide. A primary purpose of the NCDDD is to encourage the establishment of policies that best serve the public interest and help accomplish the mission of the disability program. The scope of this hearing certainly falls within that goal.

The DDSs are responsible for approving or denying the claims of your constituents seeking disability benefits under both the Social Security Title II program and the Title XVI Supplemental Security Income program. I am seeking your help in alleviating what is a crisis situation in many regions of this country and avoiding what will be a nationwide crisis if adequate funding is not provided. Release of the Social Security Administration's (SSA) contingency funds controlled by the Office of Management and Budget (OMB), passage of the supplemental appropriation requested by SSA, and the exclusion of SSA's administrative spending from the domestic spending appropriations caps are essential if the DDSs of the nation are to adequately serve our most vulnerable citizens.

Last fiscal year (FY '90) the pending cases of the nation's DDSs rose by over 94,000 due to receipt of a higher than expected number of cases per the level of funding. That was a 24% increase over those pending at the end of FY '89. SSA expects this situation to repeat itself in FY '91. SSA conservatively estimates the pending workload will rise by another 220,000 cases by 09/30/91, which would be another 41% increase.

This backlog of cases has been created partially by increasing workloads (201,540 more initial, reconsideration and hearings cases were received by the DDS during FY '90 than during FY '89); and partially by decreasing staffs (the FTEs in the DDSs have been reduced from 12,101 in 1987 to 10,983 during the first quarter of FY '91). These factors coupled with a 32% reduction in costs associated with medical documentation in spite of a national trend of soaring medical costs, during the past three years, have led to a crisis in the Social Security disability programs.

The time it takes for a claimant to get a decision on his/her disability claim (processing times), is increasing. Today over 60,000 claims are just sitting in various DDSs across the nation. These claims haven't been assigned to a disability examiner and little or nothing is being done to process them. They may sit for a few days or for several weeks. Several states have gone to "staging" or holding cases rather than increase caseloads to the point of creating large scale morale problems with their staffs and further decreasing productivity. In other states the cases are assigned but the examiners already have more cases than they can cope with in a productive manner, so once again they just sit.

The NCDDD recently completed a survey of all the DDSs with 100% of the States responding. Eighty percent (80%) of the States report that their pendings are already so high that it deters quality and timely claims processing. Seventy-four percent (74%) of the States already feel their processing times are too high. With the caseloads further rising it will seriously delay the disability decisions of hundreds of thousands of claimants. Seventy-two percent (72%) indicate their FY '91 budget allocation will not allow them to hire sufficient staff to properly handle their current (non-Zebley) workload.

The OMB contingency fund exists for the purpose of managing the kind of emergency the DDSs now face; yet, to date, the OMB has failed to release these funds awarded to SSA as part of the FY '91 budget. Therefore, it is essential that Richard Darman, Director of OMB, be requested to immediately release the $146.7 million contingency fund to SSA. This will allow more disabled people of this country to have their claims for disability benefits adjudicated in an expeditious manner.

In regards to the upcoming Zebley workload (the re-working of all childhood cases denied since 1980 as mandated by the U.S. Supreme Court), the DDSs are nearly unanimous in stating they need the earliest possible passage of SSA's supplemental appropriation request. Most States feel it is already much too late for them to begin hiring and training employees for the purpose of processing the retroactive Zebley cases in FY '91. States need to have the authority to hire and train staff six to nine months prior to their processing the retroactive Zebley cases which are expected to start arriving around the month of May. Once hired, it takes that amount of time before disability examiners are fully productive. Most States will do their best to process the Zebley workload, however, if they do not have adequate numbers of trained staff and budgetary resources for case development, it will be difficult if not impossible for them to adequately process the estimated additional 300,000 cases that they will get this fiscal year. If, due to a lack of resources, these cases get backlogged, along with the additional 220,000 non-Zebley cases that are expected to be added to the pending workload by the end of this fiscal year, we will have added one-half million Americans to the waiting list for disability benefits.

Money, however, is not the only issue of importance, nor will it provide an immediate cure to all our problems. Some States are so severely backlogged that even with ideal or optimum funding it will take them 2-3 years to recover and be capable of providing timely disability decisions. Modernization, with up-to-date electronic data processing equipment in all DDSs is essential if good service is to be provided. A fair and equitable assessment of the quality of our decisions must be achieved. Standardization of the entire program, including the decisions made by Administrative Law Judges, is essential if claimants are to have an equal chance of being allowed benefits at all levels of appeal. In addition, providing an early face-to-face contact between claimants and decision-makers would undoubtedly improve the program.

The NCDDD is working cooperatively with SSA to find solutions to these and other problems. The current administration of the Social Security program is open and receptive to working with us and others to make these improvements in the program. As I said, money will not solve all the problems, but adequate resources must be provided or all of the other innovations and improvements will fall short of our goals to provide the public with accurate and timely decisions on claims for disability benefits.

Please let me state for the record that we feel Gwendolyn King is an excellent Commissioner of Social Security. If her predecessor would have had the compassion and concern for this country's most vulnerable citizens that Mrs. King has; if Mrs. King and her Associate Commissioner, Susan Parker, had not inherited a program that had already been thrown into disarray; and if proper funding and staffing had been provided over the past five years then the DDSs and the disabled citizens of this country would not be in this crisis.

A major long-range solution to the problems addressed here would be to remove SSA's administrative spending from the budget calculations. The rationale for removing the Social Security Trust Funds from the deficit estimates and targets is that Social Security is a self-financed system in surplus and in no way part of the deficit problem. We urge you to require Mr. Darman to follow this rationale and leave all Social Security Trust fund receipts and outlays out of deficit reduction procedures designed to deal with the general fund budget deficit. Without this exclusion from the budgetary cap on domestic discretionary spending it will be difficult if not impossible for Congress to provide adequate resources for the Social Security Administration and the Disability Determinations Services; and without those resources it will be impossible for SSA and the DDSs to re-establish the high level of service that the public deserves and has come to expect.

Thank you.

Chairman JACOBS. Why don't you take the rest of the time, Mr. Jones? I understand you have a brief statement.

Mr. JONES. Yes, Mr. Chairman. What I would like to do is to sort of set a national picture and then talk very briefly specifically about our situation in Michigan, just to highlight some of the specific problems.

As Mr. Kress indicated, our national survey revealed that pendings have risen last year by 24 percent, and that this year we are predicting a 41 percent increase in pendings in the DDSs. Staffing nationally among Disability Determinations Services has been reduced by almost 10 percent since 1987, and there was also a considerable staff reduction prior to 1987. There has been a reduction of 32 percent in medical expenditures despite a national trend toward soaring medical costs. Obtaining medical evidence is the lifeblood of the disability determination process, and we are beginning to experience significant problems as a result of monetary shortfalls.

As Mr. Kress indicated, 60,000 claims are currently unassigned and are being delayed from a few days to several weeks, and normally no such delay exists. Eighty percent of the Disability Determination Services report that backlogs are so high that it is beginning to deter a quality decision. Seventy-four percent indicate that the timeliness of case processing has increased significantly, and 72 percent of our colleagues indicate that their fiscal 1991 budgets will not allow hiring of adequate staff to handle our non-*Zebley* court case workloads.

I personally contacted several other States in order to qualify some of the quantitative data that we obtained, States such as New York, Texas, Kentucky, Pennsylvania, Florida, California, North Carolina, Vermont, Utah, the District of Columbia, Maryland, Washington, and Illinois, and to various degrees we are all experiencing the same problems resulting from insufficient operating funds. These problems are: First, insufficient staffing to process existing workloads, continuing disability reviews, and certainly to process the *Zebley* court case workload that we are expecting this summer. It was also noted that title XVI workloads are increasing dramatically and that these claims are more costly than title II claims.

The second problem is that inadequate money to purchase existing medical evidence from our claimant's attending physicians or to purchase new medical examinations and new medical tests is becoming extremely difficult.

Third, there are sparse or no funds for upgrading our computer capabilities.

And, fourth, because of staffing shortages and money shortages, there have been deficient training efforts for new and existing staff which will take at least a year for us to catch up on.

As the director of the Michigan Disability Determinations Service, I would like to utilize our experience to illustrate these problems. The Michigan DDS has downsized by 30 percent since 1986. In November 1990, we had to demote 20 percent of our management staff in order to obtain more positions to process claims. We have not been able to increase our medical fees since 1984, and this is resulting in increasing difficulties in our purchasing medical evidence that is needed to make the disability decision.

It should be noted, however, that our productivity has increased from 131 cases per employee per year in fiscal year 1986 to 221 cases per employee in fiscal year 1990. So we are more productive in spite of the problems that we faced, and this is consistent with the national trend in all DDSs. This is due not only to the dedication of our staff, but also due to our ability to partially automate many of our case development activities.

This increased productivity, however, has been at the expense of promptness and quality. In spite of the increased productivity, in Michigan it takes us at least 3 weeks longer to process the average disability claim, and unfortunately it is taking 3, 4, or 5 months to process many of our disability claims.

During this same period—that is from 1986 to the present—the quality of our decisions in Michigan has also suffered, primarily due to the overloading of our disability examiner and physician staff, but also partially due to our inability to provide inservice training. In Michigan, we have approximately 1 week's worth of initial and reconsideration claims that we are unable to assign to disability examiners. Unassigned case backlogs, as I have previously noted, are a growing national trend. We are also not processing continuing disability reviews which permits an unnecessary drain on the trust fund from those beneficiaries that may be able to work. Due to physician staff shortages, we have averaged a 30-day delay in the review of our mental impairment claims, some of our most vulnerable disabled citizens.

The bottom line is that insufficient moneys impacts directly on client service by significantly delaying decisions for our most vulnerable citizens and by diminishing the quality of decisions, which increases the chance of people being allowed or denied disability benefits inappropriately. We are not requesting a return to the spending and staffing levels of 1986. We are simply requesting that the Social Security Administration be removed from the discretionary spending cap so that they can provide adequate funding to allow the States to render prompt and accurate disability decisions.

[The prepared statement follows:]

TESTIMONY OF

Charles A. Jones, Secretary, NCDDD

Mr. Chairman, members of the Subcommittee, Mr. Kress has outlined the national problems of the disability determination services due to the inclusion of Social Security Administrative expenses in the budgetary cap on domestic discretionary spending. I would like to supplement his presentation with some specific impacts of the reduction in spending on the states. The specifics of what I am about to present stress the need to have the Social Security Administrative expenses excluded from the budgetary cap on domestic discretionary spending.

The National Association of Disability Determination Directors contacted several states, including New York, Texas, Florida, California, North Carolina, Vermont, Utah and the District of Columbia. To various degrees we are all experiencing the same problems resulting from insufficient operating funds. These problems are:

1. Insufficient staffing to process existing workloads, continuing disability reviews and to process the Zebley court case workload also Title XVI workloads are increasing dramatically and these are more costly claims to process.
2. Inadequate money to purchase existing medical evidence from claimant's attending physicians or to purchase new examinations and medical tests.
3. Sparse or no funds for upgrading computer capabilities.
4. Deficient training efforts for new and existing staff, which will take up to one year to catch up on.

As Director of the Michigan Disability Determination Service, I would like to utilize our experience to illustrate these problems. Please note that national figures on backlogs, staff decreases and processing time increases are provided in Mr. Kress' written testimony.

The Michigan Disability Determination Service has downsized by 30% since 1986. In November of 1990, we had to demote 20% of our management staff in order to obtain more positions to process claims. We have not been able to increase our medical fee schedule since 1984, resulting in increased difficulties in purchasing needed medical evidence.

It should be noted, however, that our productivity has increased from 131 cases per employee per year in fiscal year 1986 to 221 cases per employee in fiscal year 1990, which is consistent with the national trend for the same period. This is due not only to the dedication of our staff, but also to our ability to partially automate many of our case development tasks. This increased productivity has been at the expense of promptness and quality. In spite of the increased productivity, it takes us at least three weeks longer to process the average disability claim.

During this same period, the quality of our decisions has also suffered primarily due to the overloading of disability examiners and physicians, but partially due to our inability to provide in-service training.

In Michigan we have approximately one week's work of initial and reconsideration claims that we are unable to assign to disability examiners. Unassigned case backlogs are a growing national trend. We are also not processing continuing disability reviews.

Due to physician staff shortage, we have averaged a 30-day delay in the review of mental impairment claims. Insufficient monies impacts directly on client service by:

1. Significantly delaying decisions for our most vulnerable citizens;

   and

2. Diminished quality of decisions which increases the chances of people being allowed or denied disability benefits improperly.

We are not requesting a return to the spending and staffing levels of 1986. We are simply requesting that the Social Security Administration be removed from the discretionary spending cap so that they can provide adequate funding to allow the states to render prompt and accurate disability decisions to disabled Americans.

Chairman JACOBS. Thank you, Mr. Jones.

Mr. Pickle will inquire.

Mr. PICKLE. I have no questions, Mr. Chairman.

Chairman JACOBS. Mr. Pickle will not inquire.

Thank you very kindly for your contribution to the record.

Our next witness represents the Save Our Security Coalition, the Honorable, and I think venerable, Arthur S. Flemming, the chairman.

Mr. Pickle.

Mr. PICKLE. Mr. Chairman, I need to go to the floor a moment. Before Mr. Flemming proceeds, I just want to welcome him back. The Social Security program goes on and on, and so does Arthur Flemming.

It is good to have you with us again, and I admire you for your tenacity and for your contribution.

Chairman JACOBS. Dr. Flemming, I want you to note that Mr. Bunning of Kentucky is the new cochairman of the committee. You certainly know who Dr. Flemming is. It is not generally known—I know it—that Dr. Flemming, before making his full-blown fame as the Secretary, was a member of Eisenhower's National Security Council. Not generally known but ought to be.

STATEMENT OF HON. ARTHUR S. FLEMMING, CHAIR, SAVE OUR SECURITY COALITION (SOS), FORMER SECRETARY OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. FLEMMING. Mr. Chairman and members of the committee, as always I am very, very happy to have the opportunity of appearing before this subcommittee. I am very happy to have the opportunity of testifying on the budgetary treatment of Social Security administrative expenses.

As you indicated, I am testifying as a representative of SOS, and I will be drawing also on some of my current experiences over the period of the last few months as Chairman of the SSI Modernization Project established by Commissioner King.

The budgetary treatment of Social Security administrative expenses in recent years has undermined confidence, as far as many of our citizens are concerned, in the ability of the administration to provide the Social Security Administration's traditional levels of service to the public in a fair, compassionate, and expeditious manner.

Also, the budgetary treatment of Social Security administrative expenses has also resulted in the career civil servants within the administration being subjected to unfair attacks.

They have been attacked as inefficient and lacking in compassion. In reality, they have tried to cope with and have been deeply concerned about the impact of an understaffed program on the lives of beneficiaries.

In the Reagan administration's proposed budget for fiscal year 1986, a plan was included for cutting the staff of the Social Security Administration from about 80,000 FTE in 1984 to about 63,000 FTE in fiscal year 1990. The goal of the Reagan administration was reached in 1990. In other words, over a span of 6 years, the staff was reduced 21 percent.

On April 3, 1985, in testimony before this subcommittee on the administration's plan for cutting the Social Security staff, Hon. Joseph F. Delfico, the Associate Director of the Human Resources Division of the General Accounting Office said:

> At the present there is little evidence to serve as a basis for the projected staff reductions expected to be achieved in the outlying years where most of the staff reductions are planned.

Then this additional quote,

> The staff reduction plan also assumes that there will be no new major legislation or administration initiatives that would increase SSA's workload and no slippage in the implementation of SSA's system modernization program. Past experience suggests that neither of these assumptions are likely to hold.

Experience since April 1985 has demonstrated that there was not only "little" evidence but actually no evidence "to serve as a basis for the projected staff reductions" of 21 percent. It is clear that this was an arbitrary goal unrelated to reality. It is likewise clear that the "assumption that there will be no new major legislation or administration initiatives that would increase SSA's workloads" was not only contrary to "past experiences" prior to 1985 but was a totally inaccurate assumption for the 1985–90 period.

As chairman of the SSI Modernization Project, I have been able to visit the 10 Social Security Administration regional offices and a number of local offices within each region over the period of the last few months. As a result, I have reached the following conclusions which I believe are relevant to the issues being considered by this subcommittee:

One, the arbitrary decision in 1985 to downsize the Social Security Administration staff by 21 percent has made it impossible for those who are on the staff to provide SSA's traditional levels of services to the public.

Two, the suffering caused by the unconscionable backlogs in the disability area can be alleviated only by a repudiation of the staffing policies incorporated in the 1985 decision.

It is estimated, for example, that the backlog of initial claims pending in State agencies by the end of fiscal year 1992 will be 703,000. This will be an increase of more than 80 percent from the backlog at the end of fiscal year 1990.

Three, the practice of our governmental processes operating in such a manner as to require the Social Security Administration to assume new responsibilities without providing it with additional resources should be abandoned. The failure to provide resources to implement a representative payee system is an outstanding example.

Another example has been cited here today, in terms of the additional responsibilities assigned the Social Security Administration under the Omnibus Reconciliation Act.

My conclusions are these, on behalf of SOS, we believe that the exclusion of Social Security benefits from the new Gramm-Rudman spending cap should include SSA's trust fund administrative expenses. We had concluded that the inclusion of the language, "notwithstanding any other provision of law", accomplished this result. If Congress reaches a contrary conclusion, we hope that it will move promptly to make sure that SSA's trust fund administrative expenses are removed from the cap.

Second, we believe that in order to start the process to reverse the disastrous consequences of the arbitrary decision in 1985 to reduce Social Security by 21 percent, Congress should immediately direct the Social Security Administration to report to the Congress on how it would utilize 6,000 additional positions in order to handle increased workloads due to the expansion of ongoing programs and the addition of new programs.

Finally, we believe that because of the close interrelationship that exists between title II and title XVI disability programs, administrative expenses for title XVI should also be included from the new Gramm-Rudman spending cap.

Mr. Chairman, when I wrote that I assumed that there would be the exclusion also of Medicare part A because, after all, that is a trust fund set up, also. I gather, from the discussion, that that has not been included in the proposed legislation.

Chairman JACOBS. Yes, that is correct.

Dr. Flemming, thank you for a very eloquent statement. I do not think there are any questions. That means it was a very eloquent statement.

Mr. FLEMMING. I appreciate the opportunity.

[The prepared statement follows:]

TESTIMONY OF ARTHUR S. FLEMMING
SAVE OUR SECURITY COALITION

I. Introduction

A. Mr. Chairman and Members of the Subcommittee on Social Security of the Committee on Ways and Means, I appreciate the opportunity of testifying on the budgetary treatment of Social Security administrative expenses.

   1. I am testifying as a representative of the Save Our Security (S.O.S.)--a coalition of organizations dedicated to providing public support for our Social Security system.

   2. I will be drawing also on my experiences in recent months as Chairman of the SSI Modernization Project established by Commissioner King.

B. The budgetary treatment of Social Security administrative expenses in recent years has undermined confidence, as far as many of our citizens are concerned, in the ability of the Administration to provide the Social Security Administration's traditional levels of service to the public in a fair, compassionate and expeditious manner.

C. The budgetary treatment of Social Security administrative expenses has also resulted in the career civil servants within the Administration being subjected to unfair attacks.

   1. They have been attacked as inefficient and lacking in compassion.

   2. In reality they have tried to cope with and have been deeply concerned about the impact of an understaffed program on the lives of beneficiaries.

II. Body

A. In the Reagan Administration's proposed budget for fiscal year 1986 a plan was included for cutting the staff of the Social Security Administration from about 80,000 (FTE) in 1984 to about 63,000 (FTE) in fiscal year 1990.

   1. The goal of the Reagan Administration was reached in 1990.

   2. In other words over a span of six years the staff was reduced 21%.

B. On April 3, 1985 in testimony before this Subcommittee on the Administration's plan for cutting the Social Security staff, Honorable Joseph F. Delfico, the Associate Director of the Human Resources Division of the General Accounting Office said:

   1. "At the present there is little evidence to serve as a basis for the projected staff reductions expected to be achieved in the outlying years where most of the staff reductions are planned."

   2. "The staff reduction plan also assumes that there will be no new major legislation or Administration initiatives that would increase SSA's workload and no slippage in the implementation of SSA's system modernization program. Past experience suggests that neither of these assumptions are likely to hold."

C. Experience since April, 1985 has demonstrated that there was not only "little" evidence but actually no evidence "to serve as a basis for the projected staff reductions" of 21%.

   1. It is clear that this was an arbitrary goal unrelated to reality.

   2. It is likewise clear that the "assumption that there will be no new major legislation or Administration initiatives that would increase SSA's workloads" was not only contrary to "past experiences" prior to 1985 but was a totally inaccurate assumption for the 1985-90 period.

D. As Chairman of the SSI Modernization Project I have been able to visit the ten Social Security Administration regional offices and a number of local offices within each region. As a result I have reached the following conclusions which I believe are relevant to the issues being considered by this Subcommittee:

1. The arbitrary decision in 1985 to down-size the Social Security Administration staff by 21% has made it impossible for those who are on the staff to provide SSA's traditional levels of services to the public.

2. The suffering caused by the unconscionable backlogs in the disability area can be alleviated only by a repudiation of the staffing policies incorporated in the 1985 decision.

    a. It is estimated that the backlog of initial claims pending in state agencies by the end of fiscal year 1992 will be 703,000.

    b. This will be an increase of more than 80% from the backlog at the end of fiscal year 1990.

3. The practice of our governmental processes operating in such a manner as to require the Social Security Administration to assume new responsibilities without providing it with additional resources should be abandoned.

    a. The failure to provide resources to implement a Representative Payee System is an outstanding example.

    b. Another example:

    Additional responsibilities have been assigned the Social Security Administration under the Omnibus Reconciliation Act of 1990 in approximately 50 areas without providing additional resources.

        (1) The responsibilities in ten of these areas will add 2930 work years in 1991 and 3829 in 1992.

        (2) No resources have been provided to employ the necessary additional staff.

III. Conclusion

A. We believe that the exclusion of Social Security benefits from the new Gramm-Rudman spending caps should include SSA's trust-funded administrative expenses.

1. We had concluded that the inclusion of the language "notwithstanding any other provision of law" accomplished this result.

2. If Congress reaches a contrary conclusion we hope that it will move promptly to make sure that SSA's trust-funded administrative expenses are removed from the cap.

B. We believe that in order to start the process of reversing the disastrous consequences of the arbitrary decision in 1985 to reduce Social Security staff by 21% Congress should immediately direct the Social Security Administration to report to the Congress on how it would utilize 6000 additional positions in order to handle increased workloads due to the expansion of on-going programs and the addition of new programs.

C. We believe that because of the close interrelationships that exist between the Title II and Title XVI disability programs administrative expenses for Title XVI should also be excluded from the new Gramm-Rudman spending cap.

Chairman JACOBS. Yes, sir. We are honored by your presence, as always.

The next panel is the National Council of Social Security Management Associations, Peter Toland, president; the American Association of Retired Persons, Dennis Crites; and the National Senior Citizens Law Center, Eileen Sweeney.

Mr. Toland, I believe you're listed first.

STATEMENT OF PETER TOLAND, PRESIDENT, NATIONAL COUNCIL OF SOCIAL SECURITY MANAGEMENT ASSOCIATIONS, INC.

Mr. TOLAND. Thank you, Mr. Jacobs, Mr. Bunning. Mr. Jacobs, I do have a statement I would like to submit for the record and, if I may, I would like to summarize my remarks.

My name is Pete Toland and I am the president of the National Council of Social Security Management Associations. My job, in real life, is to manage the downtown Boston Social Security office.

Our organization represents about 4,000 Social Security managers and supervisors throughout the more than 1,300 field offices spread around the country, and the 37 teleservice centers. Basically we represent these managers who see the daily effects of the budget restrictions on Social Security across the country. The primary purpose of our organization is to provide grass roots consultation with Social Security's leadership in furthering the Social Security programs.

We fully support the administration's budget request and I would like to underscore our appreciation for the advocacy of both Commissioner King and Secretary Sullivan and their attempts over the past 2 years to rebuild service levels at Social Security. Yet, we have grave doubts that their attempts at rebuilding our budget will survive the appropriations process if something is not done about the issue that we are discussing today.

A year ago we completed what we thought was the end of a 17,000 position downsizing process that left us at a bare bones budget level that forced us to cut traditional levels of service at Social Security. In short, we reached the point where we are now providing the public with service levels that we think they will tolerate instead of the service levels that they paid for and rightfully deserve.

At the end of last year, we also found that our budget request was cut in a last minute decision in the appropriations process, and that's precisely what we are worried about. This budget cut left us unable to train our newest recruits and hard-pressed to buy the simplest of supplies to run our offices.

Now it appears that the ambiguity and the treatment of our administrative budget in last year's budget enforcement act will create even greater levels of austerity. If these measures simply improved our productivity and had no impact on the service we provide to your constituents, I would not be here today. Yet, they do have an adverse impact on your constituents.

Your three questions on this issue ask, in short, who gets hurt? What resources do we need at Social Security? And why should Social Security's budget be treated differently? Let me attempt to give you the short answers to these three questions.

The substantial understaffing, reduced training and sweatshop conditions at our teleservice centers and many of our field offices already create excessive waiting times, serious claims backlogs, busy rates at the 800 number and at our local offices, and neglected workloads.

In the face of 5 years of additional austerity at SSA, the people in the neediest categories will get short shrift from us. The elderly poor, the homeless, the non-English speaking, the handicapped and the disabled, and the functionally illiterate, and those who most frequently and desperately need our assistance, will simply not get it.

What do we need at Social Security? We need 70,000 FTEs at our agency and we need substantial increases for our DDSs to turn us back to traditional levels of Social Security.

Why should our budget get special treatment? In our opinion, the answer is simple. The Social Security trust funds are not the Government's money. They are not general revenues. They belong to the contributors, to the working people who, in the words of Franklin Delano Roosevelt, have "a legal, moral and political right to collect their pension benefits."

SSA is a fiduciary and we do not have the right to restrict the services that were already paid for by imposing limits or spending caps that do not relate to the compact between SSA and the American people.

In summary, the real question before us is what kind of organization do you want to the Social Security Administration to be? Commissioner King, in December of 1989, cautioned the employees at Social Security about our approach to public service by saying,

> Unlike the factory control worker, checking cans at the end of a conveyor belt, we are dealing with people, just plain folks. Folks desperately in need of our time, our resources, and our help. People who need more and deserve better.

We echo and reemphasize Commissioner King's comments here today. The taxpayers pay for our services every day of their working lives. We know we have a problem with the younger taxpayers having reduced confidence in the Social Security programs. So, I ask you finally, can we afford to further alienate this next generation of taxpayers by continuing to serve their mothers and fathers as badly as we sometimes do?

Thank you, Mr. Chairman.

[The prepared statement follows:]

National Council
SOCIAL SECURITY MANAGEMENT ASSOCIATIONS, INC.
10 Causeway Street, Room 148
Boston, Massachusetts 02222

President
PETER TOLAND
Boston, MA

Vice-President
DANIEL M. SMITH
Augusta, GA

Executive Officer
JOANN KATZ
Bronx, NY

Secretary
ROBERT T. BOCH
Indianapolis, IN

Treasurer
WALTER HERBST
Elmira, NY

Immediate Past President
ROBERT S. DUNCAN
Columbia, MO

Executive Committee
MARY B. CHATEL
West Warwick, RI

WILLIAM MCGURN
Amherst, NY

ROGER B. EVANS
Covington, VA

DONALD SEATTER
Charleston, SC

DALE OWEN
Lansing, MI

JIM TALBOT
Amarillo, TX

JOHN HALE
Fort Dodge, IA

LEE GERLACH
Bismarck, ND

STEVE KORN
Fairfield, CA

JIM BROCK
Kennewick, WA

TESTIMONY OF

PETER TOLAND
PRESIDENT, NATIONAL COUNCIL
SOCIAL SECURITY MANAGEMENT ASSOCIATIONS, INC.

BEFORE THE
SUBCOMMITTEE ON SOCIAL SECURITY
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

FEBRUARY 21, 1991

ON
BUDGETARY TREATMENT OF SOCIAL SECURITY TRUST FUND-FINANCED ADMINISTRATIVE EXPENSES

The National Council of Social Security Management Associations appreciates the opportunity to present testimony on the budgetary treatment of the Social Security Administration's trust fund-financed administrative expenses. We wish to express our appreciation to Chairman Jacobs and his staff for holding a public hearing on this issue -- a hearing that we hope will initiate favorable resolution of the legislative ambiguity surrounding SSA's administrative budget.

The National Council of Social Security Management Associations (SSMA) is especially qualified to address the resolution of the SSA administrative budget issue because all of our members are directly affected by it. SSMA was founded 22 years ago to represent the views of the Social Security field office managers and supervisors across the country. We represent over 4000 members from more than 1300 Social Security field offices and 37 teleservice centers. Over seventy-five percent of all eligible Social Security management employees belong to our dues-supported organization. Our members hold the most publicly visible and accountable jobs in SSA.

Our offices provide direct service, in person and over the telephone, to the 39.8 million Americans already receiving Social Security benefits, the 4.8 million Americans receiving Supplemental Security Income (SSI), and the 125 million taxpayers and their employers who contribute Social Security payroll taxes. In carrying out our mission we are in frequent contact with congressional offices in the areas we serve. In the field offices, our greatest concern is our ability to serve the American public effectively. The public relies on our employees for timely, accurate payment of their benefits.

The primary purpose of SSMA is to consult and constructively cooperate with SSA's leadership in furtherance of the Social Security programs. Over the past few years, SSMA has chosen not to testify before Congress on issues related to the administration of SSA because of the real potential for conflict with SSA's leadership. Yet, I am here today with the unanimous approval of our National Council Executive Committee because of the compelling need to resolve this budget dilemma.

For more than half a century, the American people have been able to rely on SSA to effectively and efficiently administer the Social Security programs. Through all of the expansions made to the original Social Security program, SSA earned the reputation of providing effective, personal, caring service to the public. Unfortunately, SSA's field office managers are no longer confident that SSA can provide the service the public has a right to expect. We recognize the efforts of this Committee to improve the policies and administration of SSA. We are pleased that the Committee now seeks to improve the infrastructure in which SSA carries out its mission to provide service to the American people.

Six years ago, SSA began a process of downsizing the workforce, which has cost us 17,000 FTE's or a cut of 22 percent. SSA is now operating on a bare bone budget which has forced field managers to devise innovative ways to shorten work processes. Yes, our productivity has improved -- we now operate at 0.8 percent of contributions when we before we operated at 1.5 percent. While we streamlined and automated the work processes, however, we also cut back on service levels. We spend less time interviewing people. We have shut down most of our remote contact stations. We have eliminated over half of our field representative positions -- removing a significant outreach presence in the community.

In short, we have reached the point where we are providing the American public with the service we think they will tolerate -- instead of the service they paid for and deserve.

Having reached the promised end of downsizing, we had hoped to be able to regroup and begin to rebuild our service levels. Instead, it appears that we face a period of even greater austerity. If SSA's experience during last years appropriation process is an accurate predictor of things to come, we are in serious trouble.

In preparation for FY 1991, Commissioner King and Secretary Sullivan fought hard to introduce a budget increase of nine percent over FY 1990 levels. In final Appropriations Conference, we took a last-minute 2.41 percent across-the-board cut. Apparently, other worthy programs had to be funded at the expense of the SSA administrative budget. That was all before Congress enacted the Budget Enforcement Act and the limitation on domestic spending.

For FY 1992, Commissioner King and Secretary Sullivan have made an effective case for another nine percent increase in administrative funding. We sincerely appreciate the advocacy by Commissioner King and Secretary Sullivan; but we fear that the pressure to appropriate sufficient funds for all of the domestic programs will once again shortchange SSA. We predict that the last-minute cuts in last year's appropriation will happen again this year, and each succeeding year, until disaster occurs.

Because of past downsizing, we are already substantially understaffed, unable to answer our phones, significantly backlogged in disability claims, and we are unable to provide outreach to our neediest clientele.

Failure to appropriate the entire amount of the SSA budget requests caused by the limitations of the domestic spending caps is a blueprint for disaster in one of the oldest and most solid Federal programs in our nation's history.

The Subcommittee raised several specific questions in its press release announcing this hearing. SSMA is providing detailed responses to those questions.

1) **Congress excluded Social Security benefits from the new Gramm-Rudman spending caps in order to protect beneficiaries from short term budgetary pressures. Does the budgetary treatment of administrative expenses impinge on this objective? If so, how?**

Inclusion of the administrative expenses in the new spending caps will most definitely conflict with Congress' objective of protecting beneficiaries from short-term budgetary pressures. The experience of this fiscal year is a perfect example, as SSA's administrative budget was cut by 2.41 percent in order to accommodate an increase in other programs. This cut, along with the reluctance of OMB to release the contingency funds, has left SSA close to a shutdown in many areas. A high SSA official warned in November of last year that the resulting budget shortfall "...will cause severe cutbacks to public service."

While we fully support the President's FY 1992 Budget request and believe that it represents a good first step toward restoring SSA service levels, we are very concerned that we will never see the nine percent increase this budget calls for since it will come at the expense of so many other worthy programs. We cannot see an end to the arbitrary restrictions on our ability to provide the American people the service they have already paid for.

Erosion of public services due to short-term budgetary pressures means erosion of beneficiary protection. Protecting beneficiaries can only be accomplished when all who are entitled to Social Security benefits first are informed about and understand those benefits, and then are paid accurately and timely. Without the full nine percent increase in next year's budget, followed by adequate funding increases in subsequent years the agency cannot work to restore these protections. Following are examples of inadequate protections resulting from budgetary pressures:

- The number of disability cases pending a decision in our offices has reached an all time high with no relief in sight. New claims are being filed at alarming rates, with an increase of almost thirty percent in new disability claims alone this past fiscal year. In many states we no longer have the ability to process the continuing reviews of disability eligibility required by law.

- We do not have the resources to conduct effective outreach programs to ensure that everyone who is entitled to benefits receives them. A November 1990 report from GAO found that over one-half the managers surveyed spend less than ten hours a month on outreach activities. Without additional staff we will reach fewer and fewer people to inform them about benefits to which they are entitled. Many of those we cannot reach are among the least well off individuals in our country. Of those who do eventually contact us, many have lost benefits because they made the contact too late.

- In many offices, we can no longer offer to the handicapped, disabled, and functionally illiterate, or to those for whom English is a second language, sufficient time and personal assistance to ensure that their forms are properly filled out, their reporting requirements complete.

- Lack of funds for staff training jeopardizes our ability to get and give complete information for claimants and to process accurate benefits payments. Even able, educated, and articulate beneficiaries are unprotected when inadequately trained employees are responsible for handling their questions and claims.

- We will not be able to achieve the "spirit" of Congress' mandate to restore local phone access and service to our beneficiaries. We do not have sufficient staff in the field to both handle walk-in traffic and answer the telephone. While, despite all of our best efforts, busy signals for the national 800 service remain unacceptably high, claimants will most likely also get a busy signal when they call the local office now listed in their phone book. Field offices continue to process almost ninety percent of the beneficiary-initiated actions that they did before our staffs were cut to man the 800 number.

- The quality of the work we process will continue to suffer as well. Over forty-three percent of the managers surveyed by our Association last year reported that they have been forced to routinely use short cuts to process work. In January, 1989, an internal audit found that seventy percent of the disability claims processed were deficient in some regard. We find that over sixty percent of the appeals of initial denials of disability benefits result in the original decision being overturned, and that over fifty percent of the people receiving initial denials are still unable to work 3 years later.

- Forty-nine percent of our managers surveyed reported they cannot handle all of the work they have to do. This means that beneficiaries are doubly unprotected. When we cannot reach them or take the time to give or get complete and accurate information, delays and errors occur. In addition to compounding our workload problems and causing inaccurate payments, delays and errors jeopardize the integrity of the trust funds and undermine the very protection of benefits for current and future beneficiaries which Congress intended in removing those funds from the budget.

We have unfortunately already become a "limited service" organization. Service to our beneficiaries is limited by where they live, their access to a telephone, the fewer number of workers available to help them in their local office and the lack of funds for equipment and supplies. If the budget treatment of the administrative expenses is not corrected, the beneficiaries will find themselves faced with longer waits for same day service or appointments, more busy signals, more forms to fill out without help from a fully trained professional and more mistakes and delays in processing.

We have already reached the point where we are conforming the public to the service we can offer rather than conforming our service to the public's needs. In doing so we are subjecting the public to increased inconvenience at best, and at worst the possibility of lost benefits. Improper payments from the Trust Funds will surely result, but more importantly, we will be doing irreparable damage to the confidence of the people in the most important social program of this century.

As Paul Volcker recently said, "...people take good service for granted and bad service personally. I think this is nowhere more true than in citizens' relationship with their government. Without a clear and continuing commitment to do a good and courteous job at the point of personal contact between civil servant and taxpayer, public trust and support will always be lacking."

2) **What additional resources will be required to restore SSA's traditional levels of service to the public? Can this objective be achieved within the constraint of the spending cap?**

At least 70,000 FTEs will be required in order for SSA to be able to again provide real service access, options and quality to the public. Recently retired Deputy Commissioner Herb Doggette's final recommendation on the question of staffing resources was that the 70,000 FTE level was a necessity.

It will be absolutely impossible to achieve this goal within the constraints of the spending cap.

We note that in its report on SSA's FY 1991 administrative budget, the House Appropriations Committee cited diminished service to the public and mounting backlogs as the reasons for recommending an increase in 1500 positions. However, the cuts in the budget caused by the deficit reduction ceilings and the expense of just maintaining the current staffing levels made such an increase impossible.

The FY 1992 Budget submitted by the President would allow for an increase of about 1000 FTE's, bringing total staffing to about 64,000. However, this will mean granting SSA a nine percent increase while the total domestic spending rise must be no more than 4.1 percent. Even if SSA receives this full amount at the expense of other domestic programs in FY 1992, can it depend on similar largesse in FY 1993 when the cap is at 3.3 percent? With such tight limits, we do not believe that the additional $200 - $250 million a year needed to reach 70,000 FTE's will ever be available to SSA.

3) To exclude Social Security administrative expenses from the cap would be to treat them differently from the administrative expenses for other Federal programs. What problems, if any, are associated with this discrepancy?

Excluding SSA's administrative expenses from the spending caps would indeed afford the agency different treatment than other federal programs. However, we believe that this difference is warranted based on the distinct and unique nature of the Social Security program.

Congress' action last year was clear in its intent to protect the integrity of the Trust Funds and this country's commitment to the beneficiaries of those funds. In doing so, the true nature of those funds was again made clear. The SSA Trust Funds are not the government's money. They are not general revenues and are not to be treated as such. They belong to the contributors, the working people of this country, and we at the Social Security Administration have been charged with the responsibility of holding those funds in trust for the owners. In order to properly carry out our fiduciary responsibilities as administrators of a trust, we must spend only what is needed to provide the owners with the full benefits of their property.

We must not be restricted from spending whatever is needed by any consideration other than the best interests of the Trust's beneficiaries! When workers make their contributions to the Social Security Program, they are paying for, in the words of Franklin Delano Roosevelt, "...a legal, moral and political right to collect their pension benefits." They are also paying for the ability to access those benefits through the services of their Trustees. We do not have the right to restrict that service, already paid for, based on limits or spending caps which do not relate to the compact between SSA and the American people.

The fact that SSA also administers the Supplemental Security Income (SSI) program, which is financed from general revenues, should have no bearing on the treatment of the administrative expenses for the OASDI programs. SSI has unfortunately always been treated as an add-on in SSA, and it has never been adequately funded by Congress on its own merits.

The SSI program helps some of the most vulnerable people in our country, and the level of need that exists here can rival any that we try to address in our communities. Perhaps highlighting the program outside of the larger SSA budget will gain it the attention it deserves from the perspective of the budget as well as the legislative agenda necessary to simplify administration and provide greater equity in the application of its provisions.

In summary, the basic question in front of us is this -- what kind of organization do we want the Social Security Administration to be? In December, 1989, Commissioner King cautioned the employees of SSA about our approach to service by saying, "Unlike the factory control worker, checking cans at the end of a conveyer belt, we are dealing with people. Just plain folks. Folks desperately in need of our time, our resources, our help. People who need more and deserve better."

We echo and reemphasize the Commissioner's comments on public service here today. The American public pays taxes for our services every day of their working lives. We already have a problem in this country with the younger taxpayers having no confidence in the Social Security programs. Can we afford to further alienate these taxpayers by continuing to serve their mothers and fathers badly, as we sometimes do? As Commissioner King said, the American public does need more and deserve better. They are not being served in ways that they can be comfortable with or that we can be proud of. The Social Security Management Association is here to seek your assistance in changing that.

Thank you, Mr. Chairman, for inviting us to express our views before the Subcommittee today.

Chairman JACOBS. Thank you, Mr. Toland.
Mr. Crites.

STATEMENT OF DENNIS L. CRITES, MEMBER, NATIONAL LEGISLATIVE COUNCIL, AMERICAN ASSOCIATION OF RETIRED PERSONS (AARP)

Mr. CRITES. Thank you, Mr. Chairman. I am Dennis Crites, a retired volunteer and a member of the National Legislative Council of the American Association of Retired People. AARP appreciates the opportunity to present its views on the subject of this hearing.

In order to maintain the critically needed public support for and confidence in Social Security, two things are necessary. First, the program must be administered properly so the benefits promised are paid accurately and on time. And SSAs service should be delivered in a fair and responsive way.

Section 13301(a) of the Omnibus Budget Reconciliation Act of 1990 took all receipts and disbursements of the Old Age Survivors and Disability Insurance program out of the budget. However, some persons question whether this provision includes off budget status for SSAs administrative expenses. They contend that inclusion of the Social Security's administrative expenses among the statement of managers as subject to OBRAs domestic discretionary cap overrides section 13301(a).

Given these different interpretations, AARP believes Congress should resolve this issue in the way most consistent with Social Security's basic responsibilities and with the need for Congressional oversight of SSA's operations.

AARP supports the interpretation that SSA administrative expenses should not be subject to the domestic discretionary cap. The agency should not be in peril of inappropriate and counterproductive budget cuts which may further diminish an already badly strained service. The Association believes OBRA's statutory language unequivocally justifies taking SSA's administrative expenses out of the cap. However, AARP also thinks this is good policy consistent with Social Security's basic objectives.

Social Security operations are financed by trust fund dollars collected from workers through a payroll tax. Any savings from reducing their cost revert to the Social Security trust funds. If the agency's expenses are scored against the OBRA cap, any trust fund dollars saved are not available technically to finance the operations of other agencies. In a sense, keeping the administrative expenses in the cap perpetuates the now-abandoned policy of using Social Security trust fund dollars as a paper offset and mask for the more accurate dimensions of the deficit.

Social Security's administrative expenses are a very small part of the agency's overall budget, but they are larger than almost all other programs in the domestic discretionary cap. Thus the agency's sheer size makes it a potential candidate for cuts regardless of how unwarranted those cuts might be, in terms of needed services.

On the other hand, the size of SSA's administrative expenses could create pressure on other discretionary programs. An increase would mean other programs in the cap would have to be reduced or else a sequester could be triggered. Even a small increase in a big program like Social Security, whether it is for current or unexpected problems, could mean a significant reduction in other domestic discretionary programs.

SSA absorbed the OMB ordered 17,000 person staff reduction through attrition. This resulted in uneven service and some agency operations were especially hard hit. To conserve time, I will not elaborate on these. They have been referred to.

Instead, I want to reemphasize that efforts to save trust fund dollars through reductions in SSA administrative expenses are misguided. The critical consideration should be its ability to provide benefits and quality service to all who are eligible.

AARP believes SSA should be properly administered, as we believe it is, adequately staffed, and suitably protected from undue interference and arbitrary reductions. An important first step is removing its administrative expenses from the domestic discretionary cap.

AARP commends the chairman for holding this hearing. We stand ready to help him, the committee, and other interested members in seeing that SSA is administered in a way that is in the best interest of the program and the people it serves.

Thank you, Mr. Chairman. Finally, I will try to answer any questions.

[The prepared statement follows:]

STATEMENT OF DENNIS CRITES, AMERICAN ASSOCIATION OF RETIRED PERSONS

The American Association of Retired Persons (AARP) appreciates the opportunity to present its views on the budgetary treatment of the administrative expenses of the Social Security Administration (SSA). We commend the committee for holding this timely hearing on an issue affecting people of all ages. If Americans are to maintain their support for and confidence in Social Security, it is critical that the program be administered properly so the benefits promised are paid in an accurate and timely manner, and service is delivered in a fair, courteous, and responsive way.

Section 13301 (a) of the Omnibus Reconciliation Act of 1990 (OBRA) specifies that the receipts and disbursements of the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance (OASDI) Trust Fund shall not be counted as new budget authority, outlays, receipts, or deficit surplus in (1) the annual budget submitted by the President, (2) the Congressional budget, or (3) the Balanced Budget and Emergency Deficit Control Act of 1985. AARP applauds this action because it recognizes Social Security's self-financed nature and because it ends the deceptive practice by which the program's annual surplus masks the true magnitude of the federal operating deficit.

However, questions remain about whether Section 13301 (a) of OBRA also took SSA's administrative expenses for the OASDI program "off budget." This is because the Statement of Managers includes SSA's administrative expenses in a list of items subject to the act's domestic discretionary cap.

The Office of Management and Budget (OMB) asserts that the Statement of Managers overrides any other OBRA references, and, therefore, SSA's administrative costs fall within the domestic discretionary cap. However, the language of Section 13301 (a) is explicit regarding the off budget nature of all receipts and disbursements. Furthermore, the joint Statement of Managers makes clear the intent of Section 13301 (a) to incorporate "the Senate position on the budgetary treatment of the Social Security trust funds, reaffirming their off-budget status and removing all their transactions from the deficit estimates and calculations made in the sequestration process."

The view that Section 13301 (a) should predominate is reinforced by the Congressional Budget Office (CBO). On pages 82 and 83 of its January 1991 annual report, The Economic and Budget Outlook: Fiscal Years 1992-1996, CBO excludes SSA's administrative expenses from the domestic discretionary cap.

However, in view of the difference of opinion regarding SSA's administrative expenses, AARP believes the matter should be examined and then resolved by the Congress in a manner consistent with Social Security's best interests and with the need for congressional oversight of SSA's operations. The Association supports removing the program from the domestic discretionary cap in order to better insulate the agency from unnecessary budget cuts that may diminish further its service delivery capacity. However, the Association understands that taking such action in no way undermines the important oversight and review function which the appropriations committees exercise.

OBRA's clear and overriding statutory references place SSA's administrative costs "off budget." However, the Association would argue these expenses should be excluded from the domestic discretionary cap for other reasons relating to the nature of the program and the importance of proper SSA service delivery. First, SSA's operations are financed by trust fund dollars collected from workers through a payroll tax. Thus, any savings from reducing SSA's administrative expenses revert to the Social Security trust funds. Until OBRA removed the Social Security trust funds from the calculation of the deficit, their annual increase masked the true extent of the federal deficit. Yet, if SSA's administrative expenses are scored against OBRA's domestic discretionary cap, the dollars saved through reduced SSA administrative costs revert to the trust funds, and technically are not available to finance other agencies' operations. In a sense, keeping SSA's administrative expenses in OBRA's domestic discretionary cap perpetuates the policy of having trust fund dollars serve as a "paper offset" against other spending.

Consider also that SSA's administrative costs are a minute portion of the agency's overall budget, but they are substantially larger than almost any other program costs included in the domestic discretionary cap. Thus, they may loom large as a potential target for savings even though reductions are unwarranted or counterproductive in terms of the Social Security program itself.

On the other hand, the size of SSA's administrative expenses could create pressure on other domestic discretionary programs within the cap. First, given the current service delivery problems (described below) it might be necessary for the committees to _increase_ SSA funding. This, in turn, means other program(s) would have to be reduced commensurately or else a sequester would be triggered in accordance with the new budget rules. A small increase in an almost $3 billion program like SSA, could mean a _significant_ reduction in other domestic discretionary programs.

Also, the agency could face an _unexpected_ problem, similar to the demands placed on it by the Supreme Court mandate in the _Zebley_ case. This might overwhelm SSA resources, thus requiring additional agency funding. Again, this creates an appropriators' dilemma-- cut other programs, trigger a sequester, or let service problems reach crisis proportions.

The Social Security Administration's Importance

As we noted earlier, the case for excluding SSA's administrative expenses goes beyond legal interpretations to include the issue of service delivery. Thus, it is important to examine the matter briefly.

For all of its 55 years, SSA has administered Social Security. During that time, the program has grown and evolved, and the beneficiary population has multiplied dramatically. Today about 40 million persons of all ages receive benefits and 133 million Americans work in Social Security-covered employment. Because SSA is an agency with which almost all Americans have contact, it should be operated in a way that inspires their confidence and trust.

As America ages, Social Security benefits will extend to an even larger proportion of the population. Recognizing this growth, SSA has responded to current and anticipated needs through increased automation and other modernization. However, the agency must be careful about sacrificing service to technology. Service delivery needs to be viewed not only from a technological perspective, but also from a human point of view. After all, the program provides almost all of us with an essential: income replacement at a critical juncture in our lives.

Delivering Service: The Impact of Staff Reductions

Once the hallmark federal agency, SSA prided itself on service to the public. However, over a five year period, it has absorbed an OMB-ordered 17,000 person staff reduction. The downsizing has been accomplished largely through attrition. As a result, SSA service nationwide is uneven and certain agency operations have been hard hit. AARP repeatedly has voiced concerns that a significantly smaller staff would damage the agency's current level of operations as well as its ability to respond to the future needs of an expanding constituent population.

The December 21, 1990 memo from Secretary of Health and Human Services Louis Sullivan to OMB Director Darman describes some of the problems plaguing SSA. Sullivan notes that for FY 1991 "without relief from the contingency fund...SSA will experience system-wide backlogs which will be especially apparent in high visibility areas as disability claims, where processing times will grow by one-third, and appeals will take a month longer to review." The Secretary then outlines the "even more bleak" outlook for FY 1992 if SSA is seriously underfunded. Problems include doubling the backlog of disability claims from three to six months, a higher incidence of busy signals on the 800 number, and a two month delay in processing appeals.

AARP is pleased that the Administration's FY 1992 budget request includes a modest increase in staff and resources. However, the Association believes the additional funding may not be sufficient to deal with some of SSA's persistent problems.

The telephone calls and letters we receive suggest the following deficiencies, described for the committee at other hearings, still remain.

- problems accessing the local office and the 800 telephone number;
- failure of the 800 number workers to follow up on promises;
- delays in processing disability claims;
- delays in conducting hearings; and
- lost and misplaced files which slowdown action on appeals or waivers.

We could elaborate further on the serious problems created by understaffing and insufficient resources and also on the economic and emotional consequences these have on beneficiaries. However, we prefer to re-emphasize that efforts to save trust fund dollars through unreasonable reductions in SSA's administrative expenses are misguided. The primary consideration should be SSA's ability to carry out its mandate to provide proper benefits to all who are eligible.

Conclusion

AARP encourages Congress to exercise its oversight function over SSA operations. We must ensure that the agency is properly administered, adequately staffed, and suitably protected from undue interference or arbitrary resource reductions.

An important first step in protecting Social Security is removing SSA's administrative expenses from the domestic discretionary cap. This policy is mandated by Section 13301 (a) of OBRA. It is consistent with the best interests of the Social Security program as well as the budgetary policy behind the domestic discretionary spending cap. Failure to clarify this policy puts both the Social Security program and other vital domestic discretionary programs at risk from unintended circumstances. The vital importance Americans of all ages attach to a strong Social Security program applies not only to the benefit structure but also to its sound, timely, and competent administration.

AARP stands ready to help this committee and other interested Members in seeing that SSA administrative expenses are used in a way that ensures the program is properly and efficiently administered. This requires a sufficient number of employees who are not so overworked they lack the opportunity to deliver caring and responsive service.

Chairman JACOBS. Thank you.
Ms. Sweeney.

STATEMENT OF EILEEN P. SWEENEY, STAFF ATTORNEY, NATIONAL SENIOR CITIZENS LAW CENTER

Ms. SWEENEY. My name is Eileen Sweeney. I am a staff attorney at the National Senior Citizens Law Center. There are four points I would like to make.

First, SSA has good, decent leadership. I think people all seem to agree to that this morning. They have the skills to manage. They have the heart to manage fairly, but they do not have the dollars to manage very well at all.

In my written statement, I have included a few quotations from some very, very recent SSA and DDS staff documents where they spell out just how bleak the situation is. It is very hard. The Commissioner did her best to be candid this morning. But it is very hard when you have OMB sitting on your shoulder to say all the things you might want to say. These documents actually speak a lot more clearly.

It is very rare, if not unheard of, for an Associate Commissioner for Disability to acknowledge in writing that the state Disability Determination Services are as underfunded as they currently are; and that the pendings—which the rest of us call "backlogs"—are so high. Obviously, her statements clearly support those made by Mr. Kress and Mr. Jones this morning.

Second, and most important, lack of envelopes, lack of supplies to properly credit earnings, lack of staff to answer phones, increases in pendings all have an unreal bureaucratic feel to them. The key here is that these pendings are real live people who desperately need their benefits. They are real live people who need the information that would be in the notices in those envelopes. And they are workers, most likely those who are self-employed, migrant workers and others working for small employers often at very modest wages, who will be hurt if SSA is not able to credit earnings to their records due to lack of supplies.

As you recognize, Mr. Jacobs, for all of those individuals, taking Social Security off budget without taking administrative expenses off budget as well means they will not receive all the benefits to which they are legally entitled in a timely manner when they need them. Benefits are not really protected unless the administrative costs are taken off budget as well.

The amazing thing to me is that you are having to have this hearing. Congress took the administrative costs off budget. I do not know that Congress knows of any clearer words than "notwithstanding any other provision of law." That generally means nothing else controls, and yet here we are, discussing whether this is off budget.

The third point is the bad news. The situation is likely to get much worse. If administrative costs are kept in the budget and under the cap, the problems for SSA will only worsen. It is already unable to meet its obligations under OBRA 1990. The amount available under the contingency reserve was needed by the agency even before OBRA 1990 and even before the *Zebley* decision. It is not clear that OMB will even release that contingency reserve for these new purposes.

The budgetary limitations upon the agency will continue to tighten as it is forced to compete with other domestic programs under the discretionary cap. The effect will most likely be that not only SSA will be hurt, but other programs that affect poor people will also be hurt if SSA is kept under the cap.

Fourth, Congress should think about getting OMB out of the process, at least on a temporary basis, at least until SSA can get back on its feet. My understanding is that there is precedent for this. The International Trade Commission apparently reports directly to the Congress. You have this really historic opportunity here. You have got everything off budget. You have an agency that is in incredible trouble.

Even when you get Mr. Pickle's documents, the ones he has asked for, about what SSA asked for and what HHS told them they could have, and what OMB said, you are still not going to know what they need because OMB has so infiltrated the entire process that they take documents from the agencies before they even sign off on them and change the documents. It is getting to be a very, very serious problem.

OMB's influence is so pervasive, that it is very hard to get straight answers and honest answers, and you need some honest answers. I think the only way you are going to get them is if, at least on a temporary basis, maybe for 2 or 3 years, you just took OMB and said go away, and only let them return after you get SSA back on its feet. You have the right leadership. You have a Congress that is interested. You have Mrs. King. You really could get this agency going again, if you could just put OMB in the closet for a couple of years.

The last point I would like to make is that when President Bush appointed Mrs. King to be the Commissioner, I think it was in the Washington Post, there was an article about how she was prepared to be the "junkyard dog" for this agency. I think she has been, but there is no meat on the bones that she is getting.

I think if you take OMB out of the process and make sure the administrative costs are off budget, you have a real chance at getting this agency to work for people again. Thank you.

[The prepared statement follows:]

NATIONAL SENIOR CITIZENS LAW CENTER
Suite 700
1815 H Street N.W.
Washington, D.C. 20006
Telephone (202) 887-5280

WASHINGTON, D.C.
BURTON D. FRETZ
EXECUTIVE DIRECTOR
ALFRED J. CHIPLIN, JR.
TOBY S. EDELMAN
VICKI GOTTLICH
PATRICIA B. NEMORE
EILEEN P. SWEENEY
STAFF ATTORNEYS

LOS ANGELES, CA
NEAL S. DUDOVITZ
DEPUTY DIRECTOR
GILL DEFORD
JEANNE FINBERG
PETER S. KOMLOS - HROBSKY
SALLY HART WILSON
STAFF ATTORNEYS

TESTIMONY OF EILEEN P. SWEENEY, STAFF ATTORNEY, NATIONAL SENIOR CITIZENS LAW CENTER, BEFORE THE SOCIAL SECURITY SUBCOMMITTEE, COMMITTEE ON WAYS AND MEANS

FEBRUARY 21, 1991

My name is Eileen Sweeney. I am a staff attorney at the National Senior Citizens Law Center.

NSCLC is a national legal services support center which receives funding primarily from the Legal Services Corporation and the Administration on Aging. We provide legal support to legal services and aging advocates on the problems facing their elderly and disabled low income clients. I specialize in Social Security and SSI issues.

There are three points I will make today. First, SSA's administrative costs should be off-budget. Second, Congress should consider requiring that the Commissioner of Social Security report directly to the Congress on budgetary matters at least until such time as SSA is back on its feet. Third, failure to place SSA's administrative budget off-budget is likely to further decimate SSA and harm other programs which benefit poor people and which remain under the domestic cap.

1. Drastic, immediate action is needed to get this agency back on its feet.

The problems at the agency are so severe that even the strong leadership of Commissioner King is having little impact upon the situation. As a result, the question of whether administrative funds are off-budget is critical to getting this agency back on its feet. People, those who are aged, disabled, children, depend on this agency for the payment of the correct amount of benefits in a timely manner. Others, virtually all of the workers in the United States, rely on SSA to properly credit their earnings so that they will be able to turn to Social Security when they or their families are in need. The Social Security Administration which we all need, now needs an infusion of funds which is likely to only be possible if its administrative expenses are off-budget.

The failure to provide adequate funds for SSA is resulting in:

o the inability of many very needy people to get their benefits paid in a timely manner;

o SSA's complete inability to handle the workload, including inadequate staffing;

o SSA unwillingness to properly implement many of the important beneficial provisions which the Congress has enacted in recent years.

While SSA currently has precisely the Commissioner who could and should be focusing on really improving services to the public, the result of the last ten years of cutting is that she and her staff are instead forced to figure out how to budget for basic survival. Unfortunately, this basic survival of the agency does not include the services, such as processing of disability applications in a timely manner, which are critical to the basic survival of elderly and disabled Americans.

Recent SSA documents suggest just how bad the situation is. As someone who has appeared before this Subcommitee in the past with the excellent case examples of the common effects of SSA's budgetary problems, only to have the agency claim the problems are anecdotal, I thought it might be helpful to have SSA explain the problems in their own words. [Copies of the documents cited have been filed with the Subcommittee.]

o No funds to buy supplies:

"If we use this allocation to meet required public service activities, we project that field offices, teleservice centers and program service centers (PSC) will run out of supplies by the middle of the FY [April, 1991]...These supplies include the envelopes used to mail notices and requested information to the public, the paper used to print the output in the PSCs (which is used by claims and benefit authorizers to take action on beneficiary accounts.)"

* * * * * *

"The Office of Central Records Operations (OCRO) requires $30,000 to cover annual wage reporting supplies and $43,000 for local computer supplies, leaving a shortfall of $16,900 before considering ongoing office supply needs. OCRO will run out of both office and computer supplies during the second quarter."

* * * * * *

"We cannot afford to have our operations and public services come to a halt in mid-year due to a shortage of such key supplies."

Memo from Janice Warden, Acting Deputy Commissioner for Operations, to the Acting Deputy Commissioner for Finance, Assessment and Management,

Re: Impact of Reductions in Fiscal Year (FY) 1991 Operations Allocations--Information

Date: November 15, 1990

"Dear Representative [of claimant appealing denial]: Because of current budget constraints, it is no longer possible for this office to provide the paper used for photocopying your client's exhibit file...As usual, the exhibit files will still be available to you, but if you want the file photocopied, you will have to supply the necessary paper. I am sorry that we have to implement this policy; however, we must do so in order to keep timely processing these cases."

Letter from Jerome J. Berkowitz, Chief Administrative Law Judge, Office of Hearings

> and Appeals, Minneapolis, Minnesota to
> attorney for person who had appealed unfavorable
> decision
>
> Date: December 11, 1990

o Problems in processing Social Security and SSI disability applications:

"The concern about unfunded workloads in the DDSs extends to more than just the [SSI] childhood cases. I know that many DDSs are receiving initial cases above budgeted levels and that pendings far exceed levels of a year ago. ...

> Memo from Susan Parker, Associate Commissioner
> for Disability, to All SSA Regional Commissioners
>
> Re: Zebley Workload Planning and Implementation
> Guidelines--Action
>
> Date: February 6, 1991

"Eighty [80 %] percent of the States report that their pendings are so high that it deters quality and timely claims processing. It is expected that this phenomenon will occur again this fiscal year, further delaying disability decisions to hundreds of thousands of claimants...."

> Letter from Stan Kress, President of the National
> Council of Disability Determination Directors to
> Commissioner Gwen King, reporting results of
> survey of DDS directors
>
> Date: December 11, 1990

The current problems are about to seriously worsen. In addition to irrationally cutting staffing and budgets in the 1980's, SSA also defended a case to the extreme which was filed in 1983 challenging its failure to properly adjudicate disability for children in SSI. By the time that the case reached the Supreme Court (on SSA's appeal) and the Court had ruled against SSA in 1990, hundreds of thousands of children had been denied SSI benefits pursuant to the illegal standard. Sullivan v. Zebley, 110 S.Ct. 885 (February 20, 1990).

The result is that SSA will now be required to re-review the cases of these children under a legal standard. Because of their retroactive nature, in some cases up to 11 years (back to 1980), these cases will be labor-intensive. While SSA, in the President's FY 1992 budget, has also sought a supplemental appropriation of $232 million to cover the review of these retroactive cases over a three year period, that is not the full amount that is needed.

SSA's average pending caseload in the state disability determination services is over 12 weeks---up from 10 weeks just a few months ago---in some states, it is over 20 weeks. Even more frightening, SSA staff expect that these numbers will continue to climb. Because of the cutbacks in the state disability determination services in the 1980's, their capacity to expand to meet this new demand is limited. Congress needs to make it clear that these agencies must expand--and will be provided with the resources to do so--to meet the need to review not only children's cases but also all of the adult disability applications (in both Social Security and SSI) which are filed, pending and/or backlogged.

It is important to recall that this first step---initial application---is only the first of many steps for many people who will ultimately be awarded benefits. After a 20 week (current average in some states) wait for a denial, the person must then seek reconsideration, which is also done by the DDS and can take quite a bit of time due to backlogs. After losing on the paper review at reconsideration, which most people do, a person may wait up to a year or more for a hearing and decision from an administrative law judge.

It is also critical that SSA and the DDSs be given the funds to properly develop the evidence. Denials are all too easy when the evidence is not in the file. Many people, particularly those who are poor, are forced into the lengthy appeals process (or even worse, fail to appeal) solely because the underlying evidentiary record was never properly developed. The pressures to cut corners in these cases are already very great; they will become even more extreme as the Zebley caseload starts to pile up.

The funds which has SSA sought through the supplemental appropriation are not sufficient to cover all of the consequences of the Zebley decision. The request only covers processing retroactive Zebley cases of class members nationwide. It assumes a percentage of requests for review which, while based on historical data from other class actions, may be far too low in light of the publicity this case has received. It also does not cover the added workload of prospective applications generated by the publicity. SSA has asked that a substantial portion of the contingency reserve fund be released to address this need. It is also seeking some of those funds to help with OBRA '90 implementation costs. However, it is not at all clear that the amount in the reserve is adequate to meet either, much less both, of these needs. And, it is also not clear that OMB will authorize SSA to use these funds. In fact, some at SSA fear that OMB will deny the request.

While it is doubtful that the funds sought will be adequate, if OMB denies the request, the result will be quite obvious and simple: longer delays for everyone in adjudicating Social Security and SSI disability applications. For some people, this will mean death prior to payment of benefits, possibly hastened by the lack of income and health care benefits. For others, it will mean worsened health problems due lack of income and medical benefits and impossible living circumstances resulting from lack of income, including, for some, homelessness.

As if these problems aren't adequate to set off alarms, the budgetary problems continue to manifest themselves in other, equally concerning ways. SSA seems incapable of properly implementing the statutory changes enacted in OBRA '90.

Of critical concern is SSA's conclusion that Congress did not require it to restore telephone service in its local offices to the level they were at on September 30, 1989. SSA is apparently hiding behind an Office of General Counsel opinion in claiming that the very clear language of OBRA '90 does not mean what it says. It is not too hard to figure out what this is all about: one disingenuous legal opinion is a lot cheaper than restoring 2,500 phone lines to local offices and staffing those lines. It also may be viewed by the agency as their only recourse when they have continued to lose budget battles with OMB. However, the law is clear: if SSA does not have the funds needed to implement a new statutory provision, the President should be returning to the Congress to ask for additional funds to implement these changes. 31 U.S.C. (1107 provides that, "The President may submit to the Congress proposed deficiency and supplemental appropriations the President decides are necessary because of laws enacted after the submission of the budget or that are in the public interest..." With or without such a submission, SSA can not pretend that the law does not exist, it must implement it.

In addition to the telephone restoration requirement, OBRA '90 included other provisions which also require staffing to be implemented properly. Two of key concern are the package of provisions intended to straighten out SSA's representative payee procedures and the waiver of criminal penalties for amnesty aliens who need to assure that their earnings records are corrected so that all earnings appear on one, valid Social Security number.

2. SSA needs honesty in budgetting; this requires removing OMB from the process.

Congress should go one step further and, having taken the trust funds, including administrative costs, off-budget, also require on a trial basis that the Commissioner of Social Security report budgetary and appropriations needs directly to the Congress without the intervention of the Office of Management and Budget (OMB). The games being played by OMB bear no relationship to the needs of the agency nor the people whom it is intended to serve. The only way to reverse the effects of the decade of irrational budget cutting in this agency is to get some honesty in budgetting and that requires either removing OMB, at least temporarily, from the equation or taking some other step to blunt its involvement.

3. Keeping SSA administrative costs under the cap will hurt SSA and other programs intended to benefit people who are poor.

To keep SSA's administrative costs in the budget and under the domestic cap will result in either SSA not receiving the funds it sorely needs or other programs, many of which also benefit individuals who are poor, receiving less than they need so that SSA can receive more. Either result is totally unnecessary: the Social Security trust funds can easily absorb modest increases in SSA's administrative costs. Having taken Social Security off budget, there is no excuse for retaining the administrative costs in the budget. This action can only harm SSA or other programs serving the poor, or both.

Conclusion

Today, the SSA documentation of the problems and the needs speak for themselves. This agency has been reduced to worrying about the most mundane of concerns, such as the availability of paper and envelopes, at a time when it should be focusing all of its attention on (a) expediting decisions on applications, (b) complete implementation of the various changes in the law.

These two programs--Social Security and SSI--are key to the minimal sense of security this country offers to elderly and disabled people as well as many children. Cutting its administrative budget, letting OMB get away with numbers that are inadequate to properly process cases, take calls, and adjudicate post-entitlement work, means that people who are entitled under the Act to benefits are not getting all, or even part of, what they are entitled to receive. The Social Security administrative expenses should be off-budget and OMB should be removed from the process. Thank you for considering my concerns.

Chairman JACOBS. That is an interesting suggestion, about OMB. I guess it is well known that they do have their hangups. We thank the panel for your contribution.

Our final panel for the hearing is the American Federation of Government Employees, AFL-CIO, Mr. Gage, president; National Association of Disability Examiners, Carroll Moore; and the National Committee to Preserve Social Security and Medicare, Martha McSteen, president.

Mr. Gage, I believe you are up.

STATEMENT OF JOHN GAGE, PRESIDENT, LOCAL 1923, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO

Mr. GAGE. Mr. Chairman, we have been before your committee for about the past 6 or 7 years screaming wolf about Social Security. We did it early and often.

I have a prepared statement here that goes into some of the legal and historic reasons why we think the administrative fund should also be off budget. But I wanted to comment on just a few things that I hope you would appreciate, just from my position as dealing with a great deal of Social Security employees on a day-to-day basis.

We represent about 17,000 of them up in Baltimore. We have a very large membership and it includes all aspects of Social Security, the field offices, the teleservice centers, the disability program especially.

I want to say, too, that this may sound a little funny, coming from a union leader, but we truly appreciate Commissioner King. It is good to have an advocate for Social Security and employees certainly have rallied around her and she understands our problems. It has really been refreshing.

I wanted to comment a little bit on her principles versus money. I understand her position entirely. I guess when you are on a tightrope, it is very difficult to be talking about principles and how things should be done when you need money desperately to keep our agency running. When I heard her say that maybe she thought this problem was more of an appropriations problem, I think she is looking at it in a very short term way because the short term problems are very difficult to ignore.

But I do think that the more independence that Social Security has, the better our operations will run. Our infrastructure, even though everybody talks about the 17,000 cuts that we have, and true, the staff cuts have been devastating, but the infrastructure damage is probably even greater. Our facilities, our brain drain, the people that we lost in that 17,000 cuts, even other operations which are kind of hidden, like our earnings accounts problems, getting people's right money into their accounts, are hidden problems that are going to surface.

As a result of policys put in place during the years of the past Commissioner and now some of the gimmicks that we are stuck with, for instance the 800 number which is not a service-oriented operation, we basically went from having a trained claims representative who knew the program dealing with beneficiaries, to people who came in off the street, given 4 to 5 weeks of training and are plugged into a telephone for 8 hours on three shifts to basically refer calls back to these district offices. It really is just a way to delay getting information and getting cases handled.

One point I wanted to make, especially to Mr. Bunning's question of why Social Security should be taken off budget and not some other agencies, we definitely feel that Social Security is a unique agency. From our people, from our mission, to the beneficiaries, right on down.

I just wanted to make one point about how keeping us on budget like this can hurt. If you remember back in our furlough crisis, and I am talking about the sequestration threat that we went through last September and October, because Social Security is labor intensive and a lot of our budget does go into staff, when the furlough threat was coming down and agencies had to go and make their contingency plans on how they would implement, Social Security had the most drastic furlough plan of any Government agency that I have seen.

Many agencies could duck the whole issue. When I say duck the issue, I mean that they could cut funds to meet the sequestration without really digging into staff. Our furlough plan was a 2 days a week shut down. Two days a week, which would have absolutely crippled our agency. We had all kinds of discussions with Commissioner King about how to implement this, whether it was over half a days or close whole days, which days would you close, which days is the public really there, and it was an impossible situation.

But the furlough plan and the sequestration actually, because of HHS passing it down, OMB passing it down, Social Security was hit much harder than any other agency. And I was a little bit amazed to see our people on the line having to go home 2 days when, for instance HHS, the think-tank here in town, that their people would maybe go out 1 day a month. Yet, the Social Security folks, claimants and beneficiaries would have really suffered hard under that sequestration.

It would have shut our agency down. We would not have recovered. We could not take a punch like that at this point.

I hope you will look at our statements and some of the legal reasons why we think that more independence is better for Social Security, and I hope that we can even in this difficult budget time, take care of this problem once and for all.

[The prepared statement follows:]

STATEMENT OF JOHN GAGE, PRESIDENT, LOCAL 1923 AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO

Mr. Chairman and Members of the Committee, my name is John Gage. I am the President of Local 1923 of the American Federation of Government Employees, AFL-CIO (AFGE). My local is based in Baltimore, Maryland, and represents 16,000 employees of the Social Security Administration. On behalf of the more than 700,000 federal employees represented by AFGE, including 50,000 employees of the Social Security Administration, I thank you for the opportunity to testify here today.

Last year, Congress wisely voted to sever the funds of the Social Security Administration from the general budget of the United States. The decision to place Social Security "off-budget" was really only a confirmation of existing law. A majority of the Congress, as well as the President, reaffirmed that Social Security is a unique program in terms of its mission, its funding, and its importance to American citizens: it therefore continued to deserve the unique budgetary treatment guaranteed to it by law. Formally and affirmatively taking SSA off-budget provided the opportunity to insulate it from cyclical changes in the economy, shifting political priorities, and the rigid mandates of deficit-reduction laws.

It is AFGE's contention that the administrative accounts of the Social Security Administration were meant to be removed from the general budget along with the Social Security trust funds. For all the same, valid reasons that the Social Security trust funds were removed from the budget, the administrative funding was meant to be removed as well.

It is clear that removing both the trust funds and the administrative accounts from the budget was the intent of Congress. Indeed, the Director of the Office of Management and Budget (OMB), Mr. Richard Darman, has received letters from the Chairman of the Senate Budget Committee, the Chairman of the Senate Finance Committee, the Chairman of the Senate Subcommittee on Social Security, as well as from several ranking members of the Senate Finance and Budget Committees. These letters reiterate that it was the deliberate intention of the Congress that the provisions of the Omnibus Budget Reconciliation Act of 1990 which took the Social Security trust funds out of the Gramm-Rudman-Hollings deficit calculations would also exclude administrative spending for SSA.

The letters to OMB Director Darman repeatedly state that the very same rationale which led Congress to remove the Social Security trust funds from the general budget is especially valid concerning the administrative accounts. Simply put, Social Security was taken off-budget because it is a self-financed system with a substantial funding surplus. It therefore does not contribute at all to the problem of the deficit.

The Congressional Budget Office (CBO) is also of the opinion that the administrative expenses of Social Security are exempt from the spending caps of the new budget law, i.e., that they were moved to an off-budget status along with the Social Security trust funds. This is both a legal and a normative judgement on their part. To illustrate this contention, in the CBO report, The Economic and Budget Outlook, it is noted that the discretionary domestic spending caps are actually $2 billion to $3 billion higher than they appear because the administrative costs of Social Security are, by law, meant to lie outside the general budget calculations.

Removal of the trust fund from the general budget was not just an accounting move to unveil the true size of the federal deficit. It was an acknowledgement that Social Security, with its separate, dedicated funding and separate administrative mechanisms, was distinct from other government programs and should not be subject to their budgetary restraints.

Including the Social Security administrative accounts under the domestic spending caps put forth in the Budget Enforcement Act of 1990 betrays the central objective sought by removing Social Security from the general budget. Because the Social Security Old Age, Survivors, and Disability Insurance fund is self-funded and in surplus, Congress agreed that it was important to remove any temptation to use monies from that fund for any purpose **other than those for which it was intended.** By any historical, legal, or practical interpretation, it is clear that the administrative expenses of the program have been included in the category of intended expenditures.

Indeed, throughout the history of the Social Security program, it has been widely agreed that the trust fund should be used exclusively for Social Security administration and benefits. Accordingly, the law stipulates that the administrative costs of the Social Security program be paid out of trust fund monies. The trust funds have always been used for this purpose, and this has always been considered an appropriate use of trust fund monies.

A Legal History the Status of the Social Security Trust Funds and Their Administrative Accounts

The Social Security Act of 1935 created two trust funds: the Federal Old-Age and Survivors Insurance Trust Fund, and the Federal Disability Insurance Trust Fund. It also created a Board of Trustees designated to hold and manage them. The monies for these funds are initially collected by the Internal Revenue Service (IRS), and then transferred directly to the trust funds. Thus, it is clear that the trust funds were never intended to be part of the General Treasury Fund. The transfer of the revenues has been considered a continuing or permanent authorization, not an appropriation.

Most important for the subject of today's hearing is that section 401(g) of the Social Security Act, specifically directs the Trustees to **pay from the Trust Funds all amounts necessary for administration of the program**. By any fair interpretation, this includes not only the benefits, but also the administrative expenses of running the program. This is evidenced by the annual **authorization** made as a part of the Health and Human Services Appropriation Act providing that there "may be expended, as authorized by section 201(g) of the Social Security Act, from...the trust funds referred to therein..." and the limitation thereafter on certain administrative expenses. This language, used year after year, gives the Trustees the authority to make expenditures for administering the program and to cover the benefits to be paid.

The benefits and administrative costs of Social Security are unlike any other government spending because in order for other spending to occur, Congress must specifically **appropriate** money. This is because there is a constitutional requirement that expenses for other programs are paid from general treasury funds and are only disbursed for the express purposes and in the exact amounts delineated by Congress.

The OASI and DI Trust Funds, on the other hand, are not subject to any constitutionally-mandated express action by Congress. Rather, they were established in such a manner that expenses of administration and benefits are subject to the control of the Trustees. Congress' role in authorizing spending on Social Security is therefore one of oversight.

If Congress were to accede to the position of the Office of Management and Budget, that the administrative expenses of Social Security be paid out of general treasury funds, and thereby be subject to the spending limitations set forth in the Budget Enforcement Act of 1990, it would need to pass new legislation specifically affirming this point. That is, Congress would have to take action to sever the administrative spending on Social Security from the trust funds, and place such spending under general treasury obligations. As this would constitute "new" domestic spending under the Budget Enforcement Act of 1990, such a move would also entail cutting spending in the domestic category by the amount needed to administer Social Security, or by raising sufficient new revenues to support such new spending. Failure to do so would result in a categorical sequester in the domestic spending to support the administrative costs of Social Security.

Thus, since there is no question of whether the administrative accounts of Social Security are on- or off-budget, the issue becomes a question of whether Congress should take the administrative funding of Social Security out of the trust funds and move it on to the general treasury budget. Such action would constitute a radical departure from established practice, and would be extremely ill-advised.

Placing the administrative accounts of Social Security under the spending caps creates problems for the administration of Social Security which were not present even under Gramm-Rudman-Hollings. One such problem derives from a question over the Contingency monies which are included in Social Security's funding. These funds have always been appropriated, and made available to the Commissioner of Social Security to meet extra expenses which arise over the course of a fiscal year.

Under the OMB interpretation, the restrictions of the new budget processes put these funds under its control, giving OMB sole authority to decide upon their use. Indeed, the OMB has an incentive not to allow their use at all because despite being appropriated, failure to spend this money constitutes a budget savings. This situation undermines not only the legitimate powers of the Commissioner, it also undermine the authority of Congress to authorize spending at SSA. It gives a role to OMB in micro-spending decisions at SSA that Congress never intended.

Another problem created by making the Social Security administrative accounts part of the general budget has to do with the strict spending caps established in the Budget Enforcement Act, as mentioned above. Any spending increases for the administrative expenses of Social Security, beyond inflation adjustment, are precluded over the next 5 years.

Subjecting the administrative accounts to the restrictions of the BEA means that we at SSA are left with no prospect of reducing our enormous backlogs, or improving service to the public for at least five years. We are aware that this is also the case for all other domestic programs, but as we have established, the Social Security program is unique.

The debilitation of Social Security via budget cutting has taken place in spite of the fact that the fund which supports it has consistently run a surplus. Cutting spending at Social Security in a way that undermines the mission of the program because of deficits in general Treasury funds is contrary to the law and the intent of Congress.

The Costs to Social Security of Failing to Take the Administrative Accounts Off-Budget

AFGE's ultimate goal is for Social Security to be run in the interests of its beneficiaries who are, for the most part, senior citizens and the disabled. There is no question that the beneficiaries' interests are best-served by a program which runs smoothly, and is not incapacitated by underfunding of its administrative processes.

Political manipulation, coupled with the unrelenting pressures of the general fund deficits, have denied Social Security adequate administrative funding over the past decade. Since 1984, the Social Security Administration has lost 17,000 full-time equivalent positions. During the same time period, reductions in temporary and overtime employment have resulted in a further reduction of 4,600 work years.

Congress has taken several measures over the years to mitigate this decline. But help has always come in the form of supplemental appropriations after evidence of severe deterioration in service. Therefore, despite its efforts, there has been a manifest decline in the quality and quantity of services to the public. This situation is especially insupportable in view of the fact that Social Security's clientele includes many of the most vulnerable among us: the elderly, and disabled citizens who rely entirely on Social Security for their livelihood.

If service to the public has been the direct victim of cuts in funding for the administration of Social Security, then employee morale has been the collateral damage. The unending stress of an increasingly large workload in the face of decreasingly adequate resources has caused employee morale at SSA to plummet. The situation has become one which constantly reproduces itself on an ever-larger scale: staffing and resource cuts create absurdly large workloads and enormous backlogs, which in turn cause employee morale to decline. The atmosphere of hopelessness and overwork itself creates inefficiency and exacerbates the already existing problems.

The dimensions of the problems with morale at SSA have been well-documented. Surveys conducted by AFGE, the Management Association, and SSA itself all confirm the pervasiveness of seriously low morale. Each survey found that nearly all the problems affecting morale could be traced to understaffing and a general lack of adequate resources.

Apart from the prospect of increased availability of administrative funds once the Social Security trust funds were taken off-budget, the problems of backlogs and wildly unrealistic workloads continue. The problems with workload which have been present for the last several years will be multiplied many times as the result of the Supreme Court's February 1990 decision in Sullivan v. Zebley. The practical result of this decision, from the perspective of SSA, is that we now have the immediate responsibility to review several hundred thousand (between 280,000 and 560,000) previously denied cases in order to determine whether impoverished children with disabilities were sufficiently impaired to be eligible for SSI benefits. The reopening and reevaluation of these cases based on the decision in the Zebley case will be a complex, labor-intensive undertaking. Serious staffing shortages already exist in SSA, and the impact of Zebley has only begun to emerge. Although there has been some increase in funding and staffing to accommodate the increased workload from Zebley, it was not augmented in the President's budget for FY 1992.

Congress has been clear in its recognition that the trust funds are off-budget, and unique. From the Social Security Act through Gramm-Rudman-Hollings to the Budget Enforcement Act of 1991, this legal fact has been continually reaffirmed. To reiterate, the expenses of administering the OASI and DI programs have been paid from the Trust Funds, and have had no bearing on the general fund balance. For this reason, it is improper to subject them to the spending limitations imposed by the Budget Act of 1990.

Finally, AFGE considers it entirely improper for the Executive Branch, specifically OMB, to take any action which interferes with the transfer of any administrative funds for Social Security. We also question the reluctance on the part of some Members of Congress to authorize the Trustees to increase funding for Social Security administration when such a critical need for additional personnel and equipment has been demonstrated.

AFGE believes that the time has come to correct the funding mistakes which have been made in the recent past, and begin again to administer Social Security in the effective and efficient manner its millions of beneficiaries deserve. As the historical and legal records show, the status of the so-called "administrative accounts" should not be an issue. We ask that you recognize this history, and use it to clarify this issue once and for all. This will allow the Social Security program to receive its funding in a manner consistent with its administrative needs, and allow the loyal employees of the Social Security Administration to have the resources to do their jobs.

Thank you again for the opportunity to testify here today. If the Chairman or any Member of the Committee has any questions, I would be happy to respond.

Chairman Jacobs. Thank you, Mr. Gage.

Mr. Moore.

STATEMENT OF CARROLL D. MOORE, CHAIRMAN, LEGISLATION COMMITTEE, NATIONAL ASSOCIATION OF DISABILITY EXAMINERS (NADE), AND ASSISTANT ADMINISTRATOR, TENNESSEE DISABILITY DETERMINATION SERVICE, TENNESSEE DEPARTMENT OF HUMAN SERVICES, AND ON BEHALF OF TOM CHRISTOPHER, PRESIDENT, NADE

Mr. Moore. Chairman Jacobs and members of the subcommittee, my name is Carroll Moore. I am here today representing the president of the National Association of Disability Examiners, Tom Christopher, and the membership of this organization. Mr. Christopher could not be here today.

I am thankful for the opportunity that you have afforded for us to come and speak to you. We welcome the opportunity to let you know the viewpoints of the National Association of Disability Examiners regarding the budgetary treatment of the Social Security administrative expenses.

We speak for a membership composed primarily of employees in State disability determination units in each of the States that adjudicate titles II and XVI claims for the Social Security Administration. We believe that we stand in a unique position to offer comments on the subject of these hearings. We see and deal with the devastating effects of the budgetary crunch on administering the disability program in the States.

We believe the Social Security disability program is quickly approaching a gridlock situation. The current workload crisis is having an adverse effect on the quality and timeliness of the service provided. This will result in the continuing long-term drain on the trust fund because literally hundreds of thousands of continuing disability reviews have not, and will not, be done on a timely basis.

We all know the reasons for the current situation. In fact, we have heard them many times already today. But let us look at them quickly again.

During the last several years, there has been an unprecedented reduction in the staff in the DDSs and in Social Security, and let me say from our perspective maybe moreso in the Social Security district offices. Some of this probably was needed, but in hindsight much of the reduction was overkill, driven solely by budget constraints.

At the same time the staffing was being reduced, the rate of new applications started to rise. As a consequence the workloads in the State DDSs have now reached record levels. The disability program is facing the additional challenge now of processing approximately 300,000 *Zebley* claims.

We want to go on record in these hearings to acknowledge the efforts by Commissioner King and Associate Commissioner Parker to attempt to provide the necessary funding to operate this program. However, we believe even their efforts are too little and too late. Too little because their hands are tied due to the current budgetary process, that is the inclusion of SSA's administrative cost in the domestic cap, and too late because of the mess they inherited.

There are several ways to give you statistical information on what is happening in the State DDSs. Let me give you just two ways. Weeks work pending. That is the first one. Normally State DDSs have 7 to 8 weeks of pending workload. Presently we have approximately 11.7 weeks work pending. It is projected that by September 15 of this year we will have 14.4 weeks working pending without the *Zebley* workload. But when the *Zebley* workload is plugged in, it will increase to at least 16.3 weeks work pending. This is with virtually no CDR workload involved.

The second point or way that we can show this statistically is the pending workload for disability examiners. Historically about 80 pending cases per examiner has been a manageable workload. At present, that has increased to an average of 127 cases per disability examiner and up to nine State DDSs are now reporting that they have average caseloads for examiners of 150 cases.

It is further projected that with the impending workload previously mentioned, we are going to have about 180 cases per examiner, or approximately 140 percent higher than manageable.

What does this create? What are the consequences of it? Instead of processing cases between 50 and 60 days, we are soon going to be processing cases at least 112 and maybe higher number of days. It is going to take that long or longer to get a decision for the disability claimant.

The solution? Well, obviously you have heard the solution several times today. We are predicting that without adequate funding, this program is going to get to the point that the processing time, the quality, the accuracy of the program is going to be atrocious.

In closing, we want to suggest to you three actions that we would like to see occur. Number 1, amending the Omnibus Budget Reconciliation Act of 1990 to exclude SSA's administrative expenses for the domestic discretionary cap. Number 2, tapping the contingency fund for the current fiscal year to provide critically needed fiscal resources to handle the over-realization of case receipts. Number 3, passage of a supplemental appropriation specifically earmarked for funding the *Zebley* workload.

Mr. Chairman, subcommittee members, again thank you for the opportunity to present these views.

[The prepared statement follows:]

STATEMENT OF TOM CHRISTOPHER, PRESIDENT AND CARROLL D. MOORE, LEGISLATION CHAIRMAN NATIONAL ASSOCIATION OF DISABILITY EXAMINERS

Chairman Jacobs and Members of the Sub-Committee:

My name is Carroll D. Moore. I am chairman of the Legislation Committee of the National Association of Disability Examiners. Mr. Tom Christopher, President of NADE, could not be here today. He has asked me to represent him in giving this testimony.

On behalf of the members of the National Association of Disability Examiners, I welcome the opportunity to offer our views on the subject under consideration today, the Budgetary Treatment of the Social Security Administrative Expenses.

We believe the sub-committee members are familiar with the National Association of Disability Examiners, through our previous appearances before this panel in presenting testimony or submitting statements for your consideration on topics related to the Social Security Disability program. We speak for a membership composed primarily of employees in State Disability Determination units in each of the states that adjudicate Titles II and XVI claims for the Social Security Administration. Other members of our Association include support clericals, supervisory and administrative personnel and agency medical consultants as well as members in multiple components within the Social Security Administration. We also have members representing the medical community who are in private practice, psychologists, and other allied professionals in the field of disability assessment and adjudication. This broad membership in our organization puts us in a unique position to offer comments on the subject of these hearings. We see and deal with the devastating effects of the budgetary crunch on administering the disability program in the states.

We believe the Social Security Disability program is quickly approaching a grid-lock situation. We cannot, and will not, overstate to you the severity of the current workload crisis. Unfortunately, this is simply the tip of the iceberg. The current workload crisis is having an adverse effect of the quality and timeliness of service provided. This will result in the continuing long-term drain on the Trust Fund because literally hundreds of thousands of continuing disability reviews (CDRs) have not, and will not be done on a timely basis.

We all know the reasons for the current situation, but a quick review of them will help put things in better perspective. During the last four years, there has been an unprecedented reduction in staff in the DDSs, and the local Social Security District Offices (DO's). Some of this was needed, but in hindsight, much of the reduction was overkill, driven solely by budget constraints. At the same time the staffing was being reduced, the rate of new applications started to rise. As a consequence, the workloads have reached record levels. Now, the Disability program is facing the additional challenge of processing 300,000 Zebley claims.

NADE wants to go on record as acknowledging the efforts by Commissioner King and Associate Commissioner Parker to attempt to provide the necessary funding to operate this program. However, we believe even their efforts are too little and too late. Too little because their hands are tied due to the current budgetary process, i.e. the inclusion of SSA's administrative cost in the domestic cap, and too late because of the mess they inherited.

Some statistical data will give you a better understanding of where the program is and where it is headed. At the national level there was an increase in the pending workloads in the DDS's of 94,000 during FY 90 - a 24 percent increase. SSA has conservatively estimated the pending workloads will increase by another 220,000 during FY 91 - a 41 percent increase.

Work weeks pending is another way to demonstrate the problem. Normally DDSs have seven to eight weeks of pending workload. Currently the national average is 11.7 weeks work. SSA is projecting this will rise to 14.4 weeks work by September 15, 1991 without the Zebley workload, and to 16.3 weeks work with the Zebley workload. This is with virtually no CDR workload involved.

Pending workload for disability examiners is an easier way to illustrate the impact of this crisis. Historically 80 pending cases per examiner has been considered a manageable caseload. Currently the average pending caseload is 127 cases, and 9 DDSs have reached pending workloads of over 150 cases. The projected increase in work weeks pending will translate to an increase in average pending caseload of approximately 190 cases per examiner, or approximately 140 percent higher than manageable.

What does this mean to public service? Historically, it has taken DDSs 50 - 60 days to process an average claim. Now, it is taking DDSs 70 - 80 days to process an average claim. Based on the projected workload increases, it will soon take an average of over 112 days to process an average claim. The efficiency within the DDSs always decreases as caseloads increase.

Most of the information we are providing is predicated on the presumption that few, if any, CDRs will be processed in FY 91 and 92. Per the Government Accounting Office (GAO), $9,000,000 is lost each year from the Trust Fund for every 10,000 CDRs not conducted. Using a conservative number of approximately 300,000 CDRs delayed due to the current workload crisis, this equates to a loss from the Trust Fund of $270,000,000 each year. Let us emphasize, however, that the potential cost to the Trust Fund likely will exceed this figure.

NADE believes it is evident that substantial additional funding is required immediately to restore SSA's traditional level of service. The $146,000,000 in the contingency fund is needed to handle the over-realization of receipts. Also SSA's supplemental budget request of $231,000,000 for the Zebley workload is needed. Even if these funds were available today, it would take the DDSs over a year to hire and train the needed staff and this would still be insufficient to handle the backlog of CDRs.

To adequately fund the program, NADE believes a base of at least $900,000,000 should be used for FY 92. This would allow the program, over the next two - three years, to gradually achieve the level of service we believe our customers need and deserve.

NADE acknowledges that we are not experts in the budgeting process. However, we do not believe it is pragmatically or politically possible to allocate the needed funding level as long as SSA's administrative costs are under the domestic budget cap. Therefore, the National Association of Disability Examiners strongly recommends the following three actions:

- Amending the Omnibus Budget Reconciliation Act of 1990 to exclude SSA's administrative expenses from the domestic discretionary spending cap.
- Tapping the contingency fund for the current fiscal year to provide critically needed fiscal resources to handle the over-realization of case receipts.
- Passage of a supplemental appropriation specifically ear-marked for funding the Zebley workload.

Mr. Chairman, and sub-committee members, we appreciate this opportunity to present our thoughts for your consideration, and commend you for looking at the issues involved in funding the Social Security administrative expenses.

Chairman Jacobs. Ms. McSteen.

STATEMENT OF MARTHA McSTEEN, PRESIDENT, NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE

Ms. McSteen. Mr. Chairman, on behalf of the National Committee's members, I urge the Congress to exclude the trust fund financed administrative expenses of SSA from the recently enacted domestic discretionary spending limits. We believe that last year's reconciliation legislation not only intended to exclude Social Security trust funds from the budget calculations, but also required that SSA administrative expenses be exempt from those caps.

Many of your colleagues in both Houses, including the Senate Budget Committee Chairman, as well as CBO agree that the intent of the law was to remove the SSA administrative expenditures from the budget. As you know, 24 Members of the House in a letter to the chairman and ranking member of the Budget Committee said that when we voted to remove the Social Security trust funds from these budgets, we were protecting the integrity of all Social Security receipts and outlays from being used to fund other Government operations.

In a survey sent to the National Committee members last year, 82 percent indicated that removing Social Security trust funds from the budget calculations was a high priority. Of the 12 initiatives listed, no other received as many votes for high priority. It is clear that halfway measures that leave administrative expenses as part of the budget do not fulfill our Members' mandate.

National Committee members clearly signalled the issue was important to them, even if it did not make a difference in service. Unfortunately, it does. As a result of the budgetary pressures, SSA completed the planned reduction in staff despite increased responsibilities. Delays in reconciling earnings records have plagued the organization for years. The backlog of disability cases has grown. Callers to telephone service centers frequently encounter busy signals at the same time that phone access to local offices was restricted. Outreach and post-entitlement actions have been curtailed, as we have heard.

As if all that was not enough reason to be concerned about the administration of SSA, it is noted that they will have to devote substantial new resources to readjudicate hundreds of thousands of child disability cases as a result of the *Zebley* court case.

The administration of the trust fund financed Social Security program is closely intertwined with the general revenue financed SSI program. Both have suffered as it relates to claims development and processing. Yet SSI beneficiaries are among the poorest.

It is hard to imagine that cuts in this priority area could be made, especially if SSI outreach is being increased. We would hope that the treatment of SSA administrative expenses would be unified.

Significantly more resources will be required to restore SSA's traditional levels of service to the public. I cannot tell you how much more. It should not be a number just pulled from the air, but it must be based on an honest evaluation of the workload. Increased resources need to be put in the right places, particularly in field offices and State disability determination services.

Senior Americans expect the Social Security Administration to be efficient because, in many millions of cases, they depend upon it for their day-to-day existence. They believe that there should be sufficient funds available to ensure that benefits are delivered promptly and accurately, and they know that the trust funds are adequate in this regard.

To skimp on administrative spending also could be penny wise and pound foolish if benefit accuracy deteriorates.

The Social Security Administration itself is the best source for information on how much resources will be required. I know that SSA has the capability to evaluate its own workload and I believe it has the will. What it does not have is clearance from the Office of Management and Budget.

That brings us back to the central issue today. Social Security should not need clearance from OMB in determining the administrative needs. Congress, through the appropriation and authorizing committees, will continue to provide that stewardship necessary to adequately protect the trust funds while allowing management to prudently implement the necessary steps to restore full confidence in the delivery of those benefits.

We must acknowledge up front that Social Security is different from other entitlements. Entitlement to Social Security links monetary protection in later years to a lifetime of contributions while working. It is a long-term agreement between workers, employers and the Government. It has satisfied the need perceived some 55 years ago. It must be preserved in that manner.

We recognize there is some legitimate confusion about this issue, and we appreciate the fact that you are addressing those concerns today.

The uniqueness of Social Security and the credibility of the long-standing bond between the parties through the years is important. Social Security is an earned right. Social Security deserves to be managed in a way that protects the rights of over 130 million workers now paying into the system and the 40 million beneficiaries and, lastly but not least, the tremendously loyal and dedicated employees who continue under adverse circumstances to ensure that all entitled individuals receive benefits timely and accurately.

Mr. Chairman, we are counting on your leadership and that of your committee and colleagues, to set the record straight on this matter. Thank you.

[The prepared statement follows:]

NATIONAL COMMITTEE TO PRESERVE
SOCIAL SECURITY AND MEDICARE

2000 K Street, N.W., Suite 800, Washington, D.C. 20006 (202) 822-9459

STATEMENT OF
MARTHA MCSTEEN
PRESIDENT OF THE
NATIONAL COMMITTEE TO PRESERVE
SOCIAL SECURITY AND MEDICARE
PRESENTED TO THE
SOCIAL SECURITY SUBCOMMITTEE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
REGARDING THE
BUDGETARY TREATMENT OF SOCIAL SECURITY
ADMINISTRATIVE EXPENSES
FEBRUARY 21, 1991

I am Martha McSteen, President of the National Committee to Preserve Social Security and Medicare. On behalf of the National Committee's members I urge the Congress to exclude the trust fund-financed administrative expenses of the Social Security Administration (SSA) from the recently enacted domestic discretionary spending limits. We believe that last year's reconciliation legislation not only intended to exclude Social Security trust funds from the budget calculations but also required that SSA administrative expenses be exempt from the domestic discretionary spending caps.

Many of your colleagues in both houses, including the Senate Budget Committee chairman, as well as the Congressional Budget Office agree that the intent of the law was to remove Social Security administrative expenditures from the budget. Twenty four members of the House, in a letter to the chairman and ranking member of the Budget Committee, said that "when we voted to remove the Social Security trust funds from these budgets we were protecting the integrity of all the Social Security receipts and outlays from being used to fund other government operations. The language contained in section 13301 is clear and unambiguous in this regard."

In a survey sent to all National Committee members last year, 82 percent indicated that "Remov(ing) Social Security trust funds from the budget calculations" was a high priority. Of the twelve initiatives listed, no other received as many votes for high priority. It is clear that half-way measures that leave administrative expenses as part of the budget do not fulfill our members' mandate.

Last year a member from Bronaugh, Missouri, wrote "that we want to help preserve Social Security and Medicare, especially for our children. My husband and I are drawing Social Security now. We understand the government is using our Social Security reserves to balance other programs including their massive budget deficit. This is not their money to borrow, steal, or even touch; it belongs to the people who work hard and pay it."

National Committee members clearly signaled this issue was important to them even if it didn't make a difference in service. Unfortunately, it does. As a result of budgetary pressures, SSA completed the planned 21 percent reduction in staff despite increased responsibilities. Delays in reconciling earnings records have plagued the organization for years. The backlog of disability cases has grown. Callers to telephone service centers frequently encountered busy signals at the same time that phone access to local offices was restricted. Outreach and post-entitlement actions have been curtailed as offices targeted scarce resources to keep up with initial claims.

As if all that wasn't reason enough to be concerned about the administration of Social Security, SSA will have to devote substantial new resources to readjudicate hundreds of thousands of child disability cases as a result of the recently released regulations in response to the Zebley court case.

The administration of the trust fund financed Social Security program is closely intertwined with the general revenue financed SSI program. Both have suffered as it relates to claims development and processing. Yet SSI beneficiaries are among the nation's poorest. It is hard to imagine that cuts in this priority could be made, especially if SSI outreach is being increased. We would hope that the treatment of SSA administrative expenses would be unified.

Significantly more resources will be required to restore SSAs traditional levels of service to the public. I can't tell you how much more. It shouldn't be just a number pulled from the air but must be based on an honest evaluation of the workload. Increased resources need to be put in the right places, particularly in field offices and state disability determination services. Senior Americans expect the Social Security Administration to be efficient because in many millions of cases they depend upon their Social Security benefits for day-to-day existence. They believe that there should be sufficient funds available to insure that benefits are delivered promptly and accurately and they know that the trust funds are adequate in this regard. To skimp on administrative spending could also be "penny wise and pound foolish" if benefit accuracy deteriorates.

While I can't tell you exactly how much should be spent on the administration of Social Security, Congress frequently uses administrative expenses as a percent of benefit expenditures as a benchmark. In 1989, this was 1.1 percent according to the Social Security trustees. It has averaged 1.1 percent since 1985, the lowest ever. Administrative expenses as a percent of benefit expenditures averaged 1.3 percent in the early eighties and 1.7 percent in the seventies. It would hardly seem extravagant if administrative expenses were restored to 1.2 or 1.3 percent of benefit expenditures. Each 0.1 percent represents approximately $278 million in fiscal year 1992. The Administration, however, proposes an administrative budget $28 million below what it would need to be to keep up with inflation.

The Social Security Administration itself is the best source for information on how much resources will be required. I know that SSA has the capability to evaluate its own workload and I believe it has the will. What it doesn't have is clearance from the Office of Management and Budget. That brings us back to the central issue today. Social Security shouldn't need clearance from the Office of Management and Budget in determining its administrative needs. They are paid for out of a separately financed trust fund. Congress through the appropriation and authorizing committees will continue to provide the stewardship necessary to adequately protect the trust funds while allowing management to prudently implement the necessary steps to restore full confidence in the delivery of Social Security benefits.

We must acknowledge upfront that Social Security is different than other entitlements. Entitlement to Social Security links monetary protection in later years to a lifetime of contributions while working. It is a long-term agreement between workers, employers and the government. It has satisfied the need perceived some 55 years age. It must be preserved in that manner.

We recognize there is some legitimate confusion about this whole issue because the conference report listed Social Security administrative expenses as among those items subject to a budgetary cap on domestic discretionary spending. But, that is why we are here today to emphasize the uniqueness of the Social Security system and the credibility of the long standing bond between the parties through the years. Social Security is an earned right. Social Security deserves to be managed in a way that protects that rights of over 130 million workers now paying into the system and the 40 million beneficiaries--and lastly, but not least, the tremendously loyal and dedicated employees who continue under adverse circumstances to assure that all entitled individuals receive benefits timely and accurately.

Mr. Chairman, National Committee members are counting on your leadership and that of your committee and colleagues to set the record straight on this matter.

Thank you.

Chairman JACOBS. Thank you, Ms. McSteen.

I do not think we have any questions. The statements were very crisp and we appreciate them.

Mr. BUNNING. Thank you very much.

Chairman JACOBS. We are adjourned.

[Whereupon, at 12:07 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

DAVID PRYOR, ARKANSAS, CHAIRMAN
JOHN GLENN, OHIO
BILL BRADLEY, NEW JERSEY
QUENTIN N. BURDICK, NORTH DAKOTA
J. BENNETT JOHNSTON, LOUISIANA
JOHN B. BREAUX, LOUISIANA
RICHARD SHELBY, ALABAMA
HARRY REID, NEVADA
BOB GRAHAM, FLORIDA
HERBERT KOHL, WISCONSIN
JOHN HEINZ, PENNSYLVANIA
WILLIAM S. COHEN, MAINE
LARRY PRESSLER, SOUTH DAKOTA
CHARLES E. GRASSLEY, IOWA
PETE WILSON, CALIFORNIA
PETE V. DOMENICI, NEW MEXICO
ALAN K. SIMPSON, WYOMING
JOHN WARNER, VIRGINIA
NANCY LANDON KASSEBAUM, KANSAS
PORTIA PORTER MITTELMAN, STAFF DIRECTOR
CHRISTOPHER C. JENNINGS, DEPUTY STAFF DIRECTOR
JEFFREY R. LEWIS, MINORITY STAFF DIRECTOR

United States Senate
SPECIAL COMMITTEE ON AGING
WASHINGTON, DC 20510-6400

STATEMENT OF SENATOR DAVID PRYOR
CHAIRMAN, SENATE SPECIAL COMMITTEE ON AGING

before the

SUBCOMMITTEE ON SOCIAL SECURITY, COMMITTEE ON WAYS AND MEANS

on

BUDGETARY TREATMENT OF SOCIAL SECURITY ADMINISTRATIVE EXPENSES
February 21, 1991

Mr. Chairman, I would like to commend you for calling this hearing on whether the trust fund-financed administrative expenses of the Social Security Administration (SSA) should be excluded from the appropriations cap on domestic discretionary spending. This hearing raises critical legal and policy questions. The legal question is about the budgetary treatment of Social Security trust funds. The policy question is about the quality of service at SSA. I would like to address each in turn.

As part of last year's deficit reduction package, Congress finally took the Social Security trust funds out of the deficit calculations under the Gramm-Rudman-Hollings law. This eliminated the last vestige of Social Security being treated as part of the rest of the Federal budget. Or so we thought. The statutory language we approved was quite clear: the Social Security trust funds are not to "be counted as new budget authority, outlays, receipts, or deficit or surplus..." (Public Law 101-508). Perhaps this was not clear enough for the President's Office of Management and Budget (OMB). OMB, the law notwithstanding, continues to insist that the trust fund expenses used for SSA's administrative needs should be subject to the budgetary cap on domestic spending that was agreed upon in the budget deal. Based on a strict reading of the statute, I disagree with OMB.

These legal issues aside, the most pressing question from the public's point of view is the deteriorating quality of service they have received from SSA over the past few years. On this question, the status of the trust funds is also quite relevant. Administrative problems will be difficult or impossible to overcome if SSA is unable to restore services because of budget pressures from the spending cap. Let me explain.

SSA staff has been reduced by 20 percent over the past six years in an unwise and arbitrary fashion. In a failed effort to compensate for this, SSA launched a nationwide 800-number to conduct its business. The result has been high telephone busy rates, large increases in payment errors, growing backlogs of unprocessed benefits claims, a proliferation of inaccurate information going out to the public, and public confusion and disgust.

-over-

I am convinced that the current Commissioner, Gwendolyn King, understands and cares about these problems. She has taken many admirable steps to undo the damage that was done to the agency before she arrived. Time and again, OMB has stood in her way. The present case of keeping SSA's administrative costs under the budget caps is the latest and perhaps the most severe example of OMB's role in the degradation of SSA's services.

I should pause here to explain the debt of gratitude I think the Congress and this Nation owes to Commissioner King for working to revitalize SSA, despite resistance from OMB. I believe she recognizes the need for more staff. She recognizes problems in the disability determination services and has, within her limited means, focused resources on the problem. On a number of other issues facing SSA, she has acted quickly and decisively in the interest of beneficiaries to resolve their concerns. Overall, she has demonstrated compassion, commitment and concern for the public. This is all the more refreshing in light of the intransigence and misdirection SSA suffered under her predecessor.

Despite Commissioner King's efforts, SSA remains in a dangerous position from an administrative point of view. Backlogs, delays and mistakes are growing in many SSA operations. The Department of Health and Human Services even admitted in its press release on the FY 1992 budget that, "in some areas, specifically disability case processing, there may be a decline in service as the number of cases pending increases and processing times grow." Hearings I chaired of the Special Committee on Aging in May and July of 1990 documented these problems.

I have also learned that since that time, SSA has appeared incapable of implementing statutory requirements enacted in 1990. Of particular concern is SSA's failure to restore local telephone service to its field offices to the level they were at in September, 1989, as required by law. Rather than restoring and staffing phone lines to field offices, as the law plainly requires, SSA has stalled, apparently for budget reasons. This is completely unacceptable. Despite budget concerns, SSA must comply with the law.

The public deserves better. Fifteen percent of their paycheck goes to Social Security each month, and they expect a high quality of service. It is simply unfair for OMB to say they won't get that service because the Administration wants to continue to spend their Social Security tax dollars elsewhere.

In conclusion, SSA's administrative costs are off-budget, which means those costs should not fall under domestic appropriations caps. Both the law and the needs of the agency demand no less. If OMB is unwilling to recognize these facts, Congress must spell out even more clearly in legislation precisely what its intention was when it took Social Security completely out of the Federal budget last year. Again, Mr. Chairman, thank you for calling this timely hearing.

TESTIMONY OF THE HONORABLE BYRON L. DORGAN
BEFORE THE COMMITTEE ON WAYS AND MEANS,
SOCIAL SECURITY SUBCOMMITTEE HEARING ON
THE BUDGETARY TREATMENT OF THE ADMINISTRATIVE EXPENSES

FEBRUARY 21, 1991

Mr. Chairman, I appreciate the fact that you are holding this hearing on the budgetary treatment of the administrative expenses of the Social Security Administration. As you know, I proposed the amendment last year that was overwhelming approved by the House to remove the Social Security trust funds from the calculation of the deficit. Since the Social Security trust funds began accumulating a surplus, the federal government decided to misuse those surpluses to mask the true size of the federal deficit. I believe that the Congress made a necessary step towards budget honesty and towards protecting the Social Security trust funds for future generations by removing these funds from the deficit calculations.

The reason for my testimony Mr. Chairman is that I simply want to go on record about my concerns with the deterioration of services to Social Security recipients. Over the past six years, the Social Security Administration (SSA) has reduced its staff by 20 percent. Individuals who need assistance or have questions about their Social Security benefits have had to endure processing backlogs, busy telephones, and an increase in payment errors. I know directly of these problems because of the high number of complaints that constituents bring to my attention. My office does an extraordinary amount of case work because of these deficiencies in the delivery of Social Security benefits and this is directly related to the under staffing of the SSA.

Allow me to describe an example of the problems of under staffing at the SSA that demonstrates my concern. Recently a disabled individual in North Dakota, diagnosed with spinal cancer, contacted my office for help in attaining the results of an appeal hearing that took place before an Administrative Law Judge in November, 1990. This individual first applied for disability benefits one year ago. His application was denied three months later and he immediately appealed. In July 1990 his application was again denied and he had to wait until November 1990 to see an ALJ to further his appeal. At the hearing with the ALJ he was told that it would take 60 days to process the results of the hearing and he would know the decision of the SSA at that time. Earlier this month, he was notified that it would take another 60 days -- which would mean a 4 month wait to hear the results of his appeal.

The reason for the delay: **no typists**. This individual's insurance ran out in January and any opportunity to receive any other forms of public assistance are contingent upon the decision of the ALJ. The ALJ's decision was made in November 1990 but because the decision cannot be released until his case is typed, he has to wait **because the SSA does not have enough typists.**

Mr. Chairman, I cannot think of a more outrageous bureaucratic failure than not enough clerical help. The cases that are backlogged and held up are very significant to those applying for benefits and often the excessive delays impose serious financial and emotional hardship for many individuals and families.

This case is only one of many where individuals have appealed cases to an ALJ and have had to wait four, five, or six months to hear the result. Often, these individuals cannot pursue applications for public assistance at the local, county, or state levels until the SSA process has been concluded. I can understand the frustration that many individuals and families feel when the decision on their case has been made but they have to wait several months for the results because the SSA cannot hire enough typists to type the case results.

Mr. Chairman, it is clear that a new direction must be taken with administrative support for the SSA. I have no question that SSA employees are hard working people. The fact is that the SSA has been subject to mindless budget cutting that severely impairs the SSA from delivering the services that Social Security recipients are entitled to receive. I am not taking a position as to whether or not removing the SSA administrative expenses from the discretionary budget caps would be the best approach to relieve the SSA from these budget cutting pressures. But it is clear that some action needs to be taken to ensure that those who have paid Social Security taxes and are entitled to benefits ought to be assured that the administration of those benefits will be adequately staffed.

STATEMENT BY
ROBERT E. BARROW
MASTER OF THE
NATIONAL GRANGE
BEFORE THE
HOUSE WAYS AND MEANS
SUBCOMMITTEE ON SOCIAL SECURITY
FEBRUARY 21, 1991

My name is Robert E. Barrow, and I am the duly elected Master of the National Grange, which is located at 1616 "H" St., N.W. in Washington, D.C. The National Grange represents approximately 325,000 farmers and other residents of rural America in 4,000 Grange chapters in 40 states. I am presenting the National Grange's views regarding budgetary treatment of the Social Security Administration's administrative expenses. I would specifically like to address the issue of whether Trust Fund-financed administrative expenses of the Social Security Administration (SSA) should be subjected to or excluded from the new budgetary cap that has been placed on domestic discretionary spending. I would appreciate this statement being included in the February 21, 1991 hearing record.

The Grange is a general farm organisation whose purpose is to serve the interests of rural communities and the nation. The Grange's policies and programs concern a broad array of circumstances that affect the lives of rural Americans and are generated from community and national interests. The Grange's policy positions are developed at the local level, are approved at the State level, and are addressed each year at the National Grange's annual meeting of delegates. The Grange's policy reflects a national commitment to share the local communities' concerns. At its 124th Annual Convention, held in Wichita, KS last November, the National Grange's delegate body adopted several resolutions regarding the SSA and its programs. Included among these are:

> "The National Grange supports using Social Security funds for Social Security programs only.
>
> "The National Grange supports the removal of the Social Security Fund from the Unified Federal Budget."

A background piece printed by this Subcommittee discussed the manner in which annual Social Security surpluses (being held to insure the liquidity of the Fund to provide adequate benefits to the baby boom generation when they retire after the turn of the century) were being used to mask the size of the federal budget deficit. In response to that situation, among others, the National Grange delegates passed the above policy statements in order to clarify our position that funds collected and accrued in the Social Security Trust Fund are to be used only to finance programs run by the SSA. It was further felt that the most effective manner to accomplish that goal would be to remove the Trust Fund from the Unified Federal Budget, thereby removing the assets of the Fund from use by any programs other than those run by the SSA.

As you can well imagine, we were pleased when Congress passed the Omnibus Budget Reconciliation Act of 1990 (OBRA), which included, in part, the following provision that the Social Security "...Trust Fund shall not be counted as new budget authority, outlays, receipts, or deficit, or surplus for purposes of...(1) the budget of the U.S. government as submitted by the President; (2) the Congressional budget; or (3) the Balanced Budget and Emergency Deficit Control Act of 1985." In other words, the money accumulated in the Social Security Trust Fund is to be used only to finance SSA programs.

But there is a catch. The Statement of Managers that accompanied the Conference Report on OBRA 1990 listed the Social Security Administration's administrative expenses as being among those items that are subject to a new budget cap being placed on domestic discretionary spending. These expenses are to be paid for by funds from the Social Security Trust Fund. Placing these administrative expenses under the new budget cap in effect places all SSA programs in direct competition for funding with all other domestic discretionary programs listed in the OBRA 1990 Conference Report, funding that comes from the Unified Federal Budget.

This is a paradoxical situation. SSA programs cannot be efficiently executed without the proper level of funding for their administrative expenses. The Social Security Trust Fund was removed from the budget to maintain the integrity of these programs in both the short- and long-term. By placing the administrative costs of these programs on-budget, in direct competition with Unified Federal Budget-funded, discretionary domestic programs, both the short- and long-term integrity of SSA programs are effectively placed in jeopardy of being under financed.

The National Grange believes that excluding the administrative expenses of the Social Security Administration from the budget cap placed on discretionary domestic spending is consistent with the original intent of Congress in removing the Social Security Trust Fund from the Unified Federal Budget, as well as with the democratically-approved policies of the National Grange.

On behalf of the National Grange and myself, I thank you for giving us the opportunity to express our views on this subject. The National Grange would also appreciate hearing the views of the members of the Subcommittee on this issue.